THE Freeman

IDEAS ON LIBERTY

JUNE 1959

Apropos of the Presidency	Frederick A. Manchester	3
Free Enterprise and European Unity	George Winder	10
A Merchant's Appraisal of Inflation	Hughston M. McBain	14
Socialist Propaganda	Reginald Jebb	21
The Growth Objective	Guaranty Survey	25
History Is with Him	Indianapolis Star	29
Federal Aid for Education	H. P. B. Jenkins	31
The Mass Man	Leonard E. Read	32
Still Some Individualists	Luman N. Nevels, Jr.	38
What Industry Expects of the Engineer	Marvin M. Schmidt	41
Can This Be Liberty?	Harriet Harper	45
Scarcity, Parking, and the Price System	Norman V. Breckner and William R. Allen	46
Unemployment and Unionism	Alberto Benegas Lynch	51
A Nongovernmental Farm Program	Paul Roy	54
Uncertain Landmarks	John Chamberlain	57
Other Books		60

THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MEMO ON PRIVATE ENTERPRISE

No. 7 in a series

An Editorial Comment Reprinted from
the Portland, Ind., Graphic, February 26, 1959

THURSDAY MORNING QUARTERBACK

A good friend of ours, an executive in a merchandising firm, is continually reminding us about the dangers of government in business. "This country is headed for disaster unless the people wake up to the fact that you cannot turn to government for a solution to social and economic problems," he asserts. "And it's up to you editors to straighten them out, by plugging free enterprise."

Recently we called on him in his office. We found him in an ugly mood. Seems he had discovered the shipping department using Railway Express for shipment of merchandise.

"Those dumbheads never think about costs," he growled. "With inflation and high taxes, we've got to cut every corner we can. They know it's cheaper to ship Parcel Post."

"But look," we said, "don't you know why Parcel Post is cheaper? It is a subsidized service, operated at a loss by the Post Office department, or so the boys in Washington tell us. Seems to me this puts you in an untenable position — patronizing a government service at the expense of a fellow free enterprise operation, the Railway Express."

He glared at us. "Oh go to hell," he replied. "You newspaper guys are all alike. You don't understand the problems of industry."

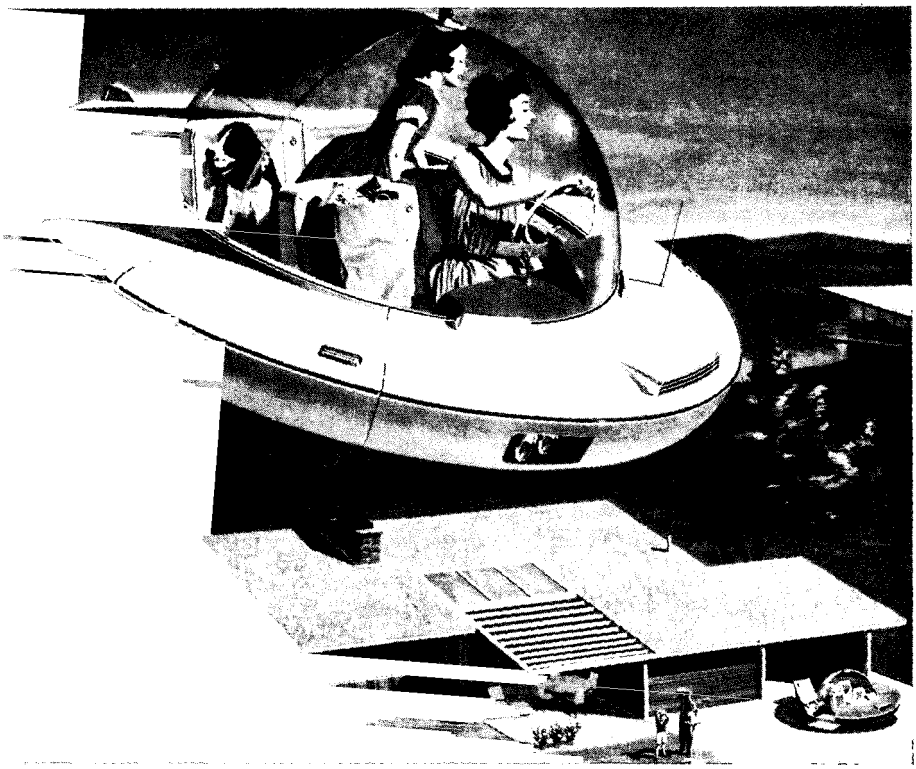
For a free copy of the informative booklet, "The Truth About Parcel Post," address the Public Relations Division,

RAILWAY EXPRESS AGENCY

219 East 42nd Street, New York 17, N. Y.

A PRIVATE ENTERPRISE IN THE PUBLIC SERVICE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



YOUR PERSONAL "FLYING CARPET" Press a button, and off you go! Land anywhere; no parking problems. Plug in to any electric outlet for recharging. They're working on it!

MORE POWER TO YOU!

America's independent light and power companies build for your new electric living

Tomorrow's higher standard of living will put electricity to work for you in ways still unheard of!

The time isn't too far off, the experts say, when you'll wash your dishes without soap or water—ultrasonic waves will do the job. Your beds will be made at the touch of a button. The kids' homework will be made exciting when they are able to dial a classroom demonstration right into your home.

To enjoy all this, you'll want a lot more electric power. Right now the independent electric companies are building new facilities at the rate of $5 billion a year, and planning to double the electric supply in less than 10 years.

America has always had the world's best electric service. The electric companies are resolved to keep it that way.

AMERICA'S INDEPENDENT ELECTRIC LIGHT AND POWER COMPANIES

Company names on request through this magazine

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

JUNE 1959 Vol. 9 No. 6

LEONARD E. READ *President*, Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the *Foundation for Economic Education, Inc.*, a *non*-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.50 a year per person on the mailing list. Donations are invited in any amount — $5.00 to $10,000 — as the means of maintaining and extending the Foundation's work.

Accepted as controlled circulation publication at Irvington, N. Y., with additional entry at New York, N. Y. Copyright, 1959, The Foundation for Economic Education, Inc. Printed in U.S.A.

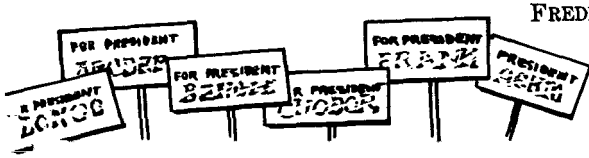
Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 25 or more, 20 cents each.

Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "The Growth Objective" and "What Industry Expects of the Engineer."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FREDERICK A. MANCHESTER



APROPOS OF THE PRESIDENCY

THE FOUNDATION for Economic Education has recently been recommending the disciplines of "concentration, contemplation, meditation" – in short, I take it, the act of thinking; and, naturally, what FEE wants us to think about is economic topics or political topics or both.[1]

Well, what follows is the result, for better or for worse, of a bit of meditating I have done on a subject that will or should be occupying the minds of American voters more and more between now and November 1960. That subject is the American Presidency.[2] I pose and attempt to answer two questions: (1) What sort of man do we really want for President? and (2) How are we going to get him? Inevitably, the answer to the second question runs into and all but loses itself in the larger question: How, in general, are we going to get competent leaders?

The first question is for me a delight. Who does not take pleasure in sketching an ideal? And in this case the process has its practical justification, for when we have once made up our mind as to what we should like in a President – though we can never hope to obtain it completely – we have a definite standard by which to judge any candidate we may be called upon to consider. What then is it we want?

One thing is an outstanding intellect. By this I mean an intellect addicted to hard fact, trained to sound logic in its operations, and impervious to the appeals of sentimentalists, however pure their hearts. In political science, as in most other subjects, probably not one principle remains unchallenged, and amid the fiercely con-

[1]See "Wake Up – It's Tomorrow" by Leonard E. Read, *Notes from FEE*, January 1959.

[2]"The framers [of the Constitution] believed – and wisely too – that the most important political duty of the American people is the selection, once in four years, of a President of the United States." James M. Beck, in *The Constitution of the United States.*

Dr. Manchester is an educator, formerly of the Department of English, University of Wisconsin.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tending winds of doctrine it is necessary that our leader, if he is not to be the passive instrument of others, or else of his own temperamental impressions, must himself be capable of deep, complex, and prolonged thought.

Wide Knowledge of History

Wide knowledge also I should make a requirement. This should include an enlightened acquaintance with literature and with philosophy (including religion) – two main sources of that profound insight into human nature which is essential to the highest statesmanship. It should include familiarity with the major works in political science, ancient and modern, and with whatever has been proved valid in economics. It should include a reasonable mastery of the recorded history of the world, East as well as West. Probably all conceivable types of government have been tried, most of them over and over, and all conceivable social theories given their chance. Not to have learned what there is to be learned about the practical working of these types of government, and of these social theories, would seem a gratuitous and tragic lack in anyone who undertakes to head a great state, especially in a period of revolution and innovation such as that in which we live.

More specifically, it is clear that the President should be a close student of the period of American history in which our own government took shape, and of the informed reasoning which guided the Founding Fathers. Having arrived at a thorough comprehension of the permanently valid principles underlying our original Constitution, he would be in a position to exert his great power and influence intelligently, both toward preserving what still remains of them, and – perhaps even more important – toward restoring those which have been discarded.

It is a melancholy speculation, though an instructive one, to consider what ills our country might have been spared, if only all of our twentieth-century Presidents (to go back no farther) had been enlightened students of the Constitution, and at the same time (for without this the enlightenment would have been useless) had been scrupulously determined to support, to the full extent of their authority, its positive provisions and its implied restraints.

Politics Saturated with Thought

In all this it is hard to separate intellect from knowledge, since for practical purposes they are mutually dependent. Intellect divorced from knowledge operates in a void; knowledge divorced from intellect is grist without a mill. It is when

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the two are combined, and only then, that effective thinking is possible.

In the field of government there is perhaps no better example of intellect and knowledge working together than Edmund Burke. Matthew Arnold said of him that he saturated politics with thought. The phrase is provocative, and invites comment. What does it mean to saturate politics with thought? But, first, what does it *not* mean?

It does not mean basing political views on personal "hunches," nor on what pressure groups demand, nor on public opinion polls, nor on ingenious calculations as to the best party strategy for success in the next election. It is at the antipodes of everything suggested by the nefarious "tax and tax, spend and spend, elect and elect."

What it does mean is basing political views on an analysis of the immediate problem, with all its special characteristics, in the light of the facts of human nature, and – what comes to much the same thing – in the light of the past experience of mankind. A speech saturated with thought is a reasoned speech, everywhere advancing from premises clearly set forth, and adequately supported, to conclusions which are their natural consequence. It is the only kind of speech which any man dealing with a great issue and deserving the name of statesman, would wish to make.

Experience in Government

But intellect and knowledge are not everything, important though they are. Substantial experience in government is plainly desirable, both to provide specific training in statesmanship and to afford close views of political theory reduced to practice. Though such experience is the least indispensable of the qualifications I have chosen for emphasis, and though it becomes less important in proportion as the others approach distinction, it is something one much likes to see among the assets of any candidate for the Presidency. If the candidate is otherwise outstanding, it gives the finishing touch; if the candidate is otherwise only the prince of mediocrities, it affords at least a minimum of assurance that his administration, if unhappily he should be elected, will not fail completely. In the school of experience, as the familiar proverb suggests, even fools can learn.

Then, crowning governmental experience, there should be a record of distinguished accomplishment. I recall reading somewhere that when a man was brought to the attention of Napoleon, the Emperor would ask, *"Qu'est-ce qu'il a fait?"* – "What has he done?"

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Prominence alone, whether in politics or elsewhere, is totally insufficient. We want proof, by pertinent and significant deed, that the man we make our President has the stature appropriate to the job. We demand nothing spectacular. Conspicuous leadership in a sound major policy or cause, in House or Senate, or in a state governorship, will do, or even a few public speeches – provided only that in these speeches there are displayed an independence, a courage, a learning, a power of thought, and a wisdom, that lift them far above the platitudes and prejudices of the hour.

And, lest we forget, there is character: honor, honesty, truthfulness, straightforwardness, dignity, diligence, fidelity to the given word – but let us turn to examples. We want a President who will keep the promises he made when appealing for our votes, or who, if he later believes that the good of the country requires a policy different from that which he is pledged to carry out, will openly acknowledge and explain his change of mind, and request a fresh vote of confidence from public opinion. We want a President who will cleave devoutly to his oath of office, among other things refraining from engaging in activities, or exercising powers, not accorded him by the Constitution. We want a President so animated by a spirit of fairness that he will never misrepresent an opponent, even slightly, whether by direct speech or by innuendo, for any purpose whatsoever. We want a President who writes his speeches (the important ones at least), so that the words he uses, as well as the ideas he expresses, are his own – a President who has heard that the style is the man, and wishing the people to know him as he really is, disdains masking himself in the phrases, however clever or taking, of some alien personality. And we want a President with integrity so unassailable that no thought of personal gain, tangible or intangible, direct or indirect, political or otherwise, can ever determine his decisions affecting the interests of the state.

Our prescription for the Presidency might be indefinitely extended. Humor, amiability, charm, and many other qualities or graces it would be pleasant to add – but all are relatively secondary. Let us be reasonable, even in sketching our ideal!

How To Get Him

If now we have some notion of the President we want, we are ready for the second and much harder question: How are we going to get him?

Conceivably, I grant, there will

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

be no problem. Nature cannot yet be exhausted, and conceivably the man we are looking for is even now in the wings, just off stage. I can imagine him, powerful and sharply penetrative of mind, clear and eloquent of speech, profoundly convinced, as I think he would be, that we are already well advanced on a downward path – I can see him taking directly to all the people, in every state, in every community, a message calculated to excite to action whatever remains in us of our passion for individual liberty, our feeling for unsophisticated social justice, and, in general, our political common sense. Just possibly such a man could arouse enough enthusiasm in enough voters to bring about his nomination and election, if not in 1960, then in 1964.

But obviously neither such a man, nor his success, is to be counted on. If he should appear, he would be rather an accident of history than a predictable phenomenon. For a recent report on education is doubtless right in declaring:

> With rare exceptions, it is probably true that a society only produces great men in those fields in which it understands greatness[3] –

and what wise observer would say that in our time America understands greatness in the field of political science? If it did, how should we account for some of the men and some of the measures it has vigorously promoted or calmly accepted, and for certain aspects of the situation – dangerous or ridiculous or both – in which we now stand?

The Remnant that Saves

It would appear, then, that if we want to have leaders of high quality, Presidents among them, we, the American people, shall have to increase our understanding in politics and related fields. It is fortunately not necessary that all of us should become thus educated, but only a sizable minority – the remnant that saves. But how are we to build up this sizable minority?

Begin, says Mr. Read in the document I quoted at the beginning of these remarks, by genuinely enlightening ourselves, as individuals – morally as well as socially, economically, and politically. Thereafter, if I understand him correctly, he would have us trust mainly to the power of example. "The power of attraction – of attracting others – follows all self-improvement," he says, "as faithfully as does one's shadow." In thus asserting this power he

[3] Rockefeller Report. *The Pursuit of Excellence*. New York: Doubleday & Co. Inc., 1958.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

undoubtedly has behind him traditional wisdom. "Example," says Burke, comprehensively, "is the school of mankind; it will learn at no other."

I owe this last quotation to a book which by title and performance is distinctly pertinent to our present topic – *Democracy and Leadership* by Irving Babbitt (Boston: Houghton Mifflin Company, 1924. 349 pp. $3.50). To the subject of politics Babbitt brought great learning and great philosophical and spiritual insight. His general point of view is excellently indicated in the first sentences of his Introduction:

> According to Mr. Lloyd George, the future will be even more exclusively taken up than is the present with the economic problem, especially with the relations between capital and labor. In that case, one is tempted to reply, the future will be very superficial. When studied with any degree of thoroughness, the economic problem will be found to run into the political problem, the political problem in turn into the philosophical problem, and the philosophical problem itself to be almost indissolubly bound up at last with the religious problem.

In a word, economic and political issues tend ultimately to be ethical issues; and obviously, ethical issues are to be properly disposed of only in an ethical state. But can such a state be achieved? It would seem so:

> Though one agree with Aristotle as to the ethical unsoundness of the majority, it does not follow that the ethical State is impossible. Human nature, and this is its most encouraging trait, is sensitive to a right example. It is hard, indeed, to set bounds to the persuasiveness of a right example, provided only it be right enough. The ethical State is possible in which an important minority is ethically energetic and is thus becoming at once just and exemplary.

Here, of course, the "important minority" is the saving remnant, a segment of the population which sets the national tone, supplies from itself competent leaders, and exercises a determining influence in government.

Babbitt was primarily a university teacher, and it was natural that he should concern himself with the problem of producing leaders in its relation to education. Of his central ideas on this subject the following may serve, I think, as a brief statement. He believed that "the civilization of a community and ultimately the government of which it is capable

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is closely related to the type of education on which it has agreed," and quotes with approval Aristotle's saying that "the best laws will be of no avail unless the young are trained by habit and education in the spirit of the constitution."

Training for Wisdom and Character

Now our form of government is a federal and constitutional democracy, with agencies such as a written Constitution, a Senate, and a Supreme Court to serve "as a check on the ordinary or impulsive will of the people." The veto power theoretically exercised by such agencies found a real correlative in the type of training given by the older American college. This "was based on the belief that men need to be disciplined to some ethical centre." It "set up a standard that limited the supposed right of the individual to self-expression as well as the inbreeding of special aptitudes in the interests of efficiency," and "thus acted restrictively on the mere temperament of the individual." It was, "in intention at least, a training for wisdom and character." Our new education might have made the old more vital, broadened it, adapted it to changed conditions, and at the same time retained its ethical orientation. But this, in the main, it can scarcely be said to have done. "It suggests rather a radical break with our traditional ethos.... The new education has been summed up by President Eliot in the phrase: training for service and power."

These ideas were expressed thirty-five years ago. If Babbitt were alive today, would he think that our higher education had changed significantly in the direction he would approve? Let those answer who are now in intimate contact with it. If my surmise is correct, he would not; and if that is the case it seems clear that among the first things he would have his "important minority" do, once it had acquired the necessary influence, would be to bring our education back to effective correspondence with the federal and constitutional democracy under which we long lived and which many of us still cherish.

How, then – to return to the second of the two questions with which we began – are we to get the President of our dreams, or at least, in Carlylean phrase, a "not intolerable approximation" to such a man? The answer: Accident aside, we shall get him only by becoming as a nation – or rather as a dominant part of it – politically and ethically wise and sound.

• • •

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Free Enterprise and European Unity

THE UNIFYING QUALITIES OF TRADE • GEORGE WINDER

OWING to the economic disunity of the national states of Western Europe, that semicontinent – although probably in natural resources as rich as the United States – has much less economic strength, and a standard of living infinitely lower.

Many Americans believe that the interference of their federal government with trade is detrimental to the national economy. How much more would they feel this if each of the fifty state governments controlled their people's trading activities?

The unhappy position of Europe is to have all its governments interfering with trade; and, if we are to judge by results rather than by the sentiments expressed, every act of interference divides the economy of Europe still further and makes all Europeans poorer.

What is to be blamed for this? What is to be blamed for Europe's failure to unite her economy in face of the threat of Russia and of communism? Why, particularly, is her economy more divided, and her trade barriers more insurmountable, than they were fifty years ago? Do Europeans, then, hate each other more than they did? Have two wars taught them nothing?

No. The answer cannot be found in the fact of political nationalism. European people have never been more friendly with one another than they are today. The increase of economic disunity over the last fifty years has not been deliberately and even consciously brought about. It is purely the result of internal policies which were pursued with foreign countries only incidentally in mind.

The increase in the economic disunity of Europe has been caused solely by the increasing departure of European governments from the principles of free enterprise. Free enterprise has a unifying effect on the world's economy, whereas state economic planning

---

Mr. Winder is a British farmer, author, and journalist.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

– which, in a democracy, must necessarily be nothing more than that evil which our fathers called "government interference" in economic affairs – has a distinctly disintegrating effect.

To unite Europe in wealth and strength, it is not the sovereignty of many states which has to be destroyed, but the fatal belief of her peoples in state economic planning. If such planning were only renounced by European governments, so that their peoples were left free to trade with one another as they wished, then the difficulties which arise from the present economic disunity would be resolved.

Unity is not brought about by laws to control trade but by the absence of such laws. The constitution of the State of Alabama contains the following words: "The sole and only legitimate end of government is to protect the citizen in the enjoyment of life, liberty, and property, and when the government assumes other functions, it is usurpation and oppression."

If the governments of Europe would only accept this philosophy for at least as far as it affects trade, then the economic unity of Europe would be achieved, and the cloud now lowering over Europe from the East would dissolve.

The Common Market

A few of Europe's more distinguished politicians now realize the dangers of her present economic division and try to remedy this, but with little success. The most notable of these attempts is, of course, the proposed common market to be set up by Belgium, Holland, Luxemburg, Italy, Germany, and France. Although this has now been agreed upon, and the slow reduction of tariffs and quotas between those six countries has begun, the difficulties which lie ahead are very great. Each country has protected interests which she is afraid will be destroyed by the flood of goods from the other five. Our fathers, with their belief in free enterprise, knew that such floods spelled wealth, but today in Europe the fear of such wealth is difficult to overcome.

The tariffs between the six nations are to be removed very slowly, and, meantime, new barriers against the rest of Europe and the world in general are to be erected around their proposed common market. In the case of Belgium and Holland, this means that the tariff barriers will be higher than ever before. Nobody can be sure, as a result of these arrangements, whether the total trade of Europe will be increased or decreased.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Great Britain and some of the other European countries have tried to form what is described as a free trade area in association with the six common market countries, but in the end, the opposition of British farmers and French industrialists was too great. To the sectional interests of a few farmers and industrialists, the security of the whole of Europe is to be sacrificed.

One Nation Could Start

The ironical truth is that it would be possible, and economically profitable, for any one European nation to abandon the planned economy, and abolish the barriers to the trade of her people, quite irrespective of the actions taken by her neighbors. Trade is nothing but an exchange of goods, and if we admit – as most people do – that trade is beneficial, then a nation is injured by anything that prevents that trade.

High mountains, tempestuous seas, and unnavigable rivers are as much barriers to trade as quotas or customs tariffs. The St. Lawrence River is sometimes frozen over and becomes a barrier to the Canadian's trade with the people of Great Britain. What would we think of a politician who argued that, because of this, the British Parliament should pass a law barring Canadian shipping from the Thames for a similiar period so as to prevent Britons trading with Canadians?

Yet this would be no more foolish than the argument that, because the government of one country puts up a tariff barrier to prevent our merchants trading with hers, we should retaliate with a barrier preventing her merchants trading with ours.

Great Britain should know this better than any other country because, at one time, she was the only free trade country of any size in the world, while, at the same time, she was the greatest and wealthiest power in existence.

If but one European nation would adopt the system of free enterprise and grant her people the right to trade freely both at home and abroad, her economy would be so stimulated that she would become an example for other nations to follow. In this way only will the economic unity of Europe be achieved.

Socialist Dilemma

The prevalence of socialist theory among all classes throughout Europe, however, makes this one road to unity very difficult to traverse. Socialists are determined to plan the economy in which they live, and, as national planners have jurisdiction only in their own country, this has a ten-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dency to divide Europe into small, tight, hidebound economies more resistant to trade than ever. Socialists profess a belief in peace and unity; but when they try to plan internationally, their national planning makes cooperation virtually impossible. To plan the economy of Europe by a central authority, it would first be necessary to destroy all national plans as well as the sovereignty of every country involved.

Socialists may be willing to go to any length to unite Europe by government action, but they will do nothing to achieve unity in the only way it can be achieved – by government inaction.

The economic unity of Europe will not be brought about by any assembly of politicians or by international conferences, or by trade agreements entered into by governments, or by loans and gifts from America. It will be brought about only when the people of Europe accept the immutable truth that man is endowed by Providence with certain inalienable rights, and that among these is the right to produce and trade freely with whomsoever he wishes.

Once this truth is accepted – once governments repeal their laws against trade – Western Europe will become as prosperous and as strong and united as America, and the cloud of communism gathering over her Eastern border and threatening the existence of her civilization will be dissolved forever.

Europe will be united in freedom, or not at all. We have forgotten the power and the magic which lives in freedom. • • •

IDEAS ON LIBERTY

The Moral Foundations of Freedom

MEN ARE QUALIFIED for civil liberty in exact proportion to their disposition to put chains upon their own appetites; in proportion as their love of justice is above their rapacity; in proportion as their soundness and sobriety of understanding is above their vanity and presumption; in proportion as they are more disposed to listen to the counsels of the wise and good, in preference to the flattery of knaves. Society cannot exist unless a controlling power upon the will and appetite is placed somewhere; and the less of it there is within, the more there must be of it without. It is ordained in the eternal constitution of things, that men of intemperate habits cannot be free. Their passions forge their fetters.

EDMUND BURKE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A Merchant's Appraisal of INFLATION

HUGHSTON M. MCBAIN

IT WAS MIDNIGHT when my cab pulled up at the hotel. I had had the taxi since early morning. I opened my suitcase and counted out 71,250 marks. This included a 5,000 mark tip for the driver. He was delighted and thanked me profusely. How could he know that the total cost to me for his cab, gasoline, and services for that 16-hour day was only 57 cents? Naturally, he could think only in terms of his own money. To him it looked like a fortune for a day's work. The time was October 1922 – the place Berlin. The value of the paper I had given him expressed in terms of prewar marks was about $14,000!

I spent three months in Berlin that year. Prices were rising with such rapidity that no merchant could open the doors of his establishment much before noon. He had to reprice each item every morning!

One evening I took some German friends to the Adlon Hotel for dinner. Despite my urging, they would order no meat. I explained that meat would cost me practically nothing. To them I seemed to be paying $900 for a sirloin steak!

I lived through many months of German inflation – and I learned a lot. The German people seemed unable to grasp the fact that the loss in the value of their money was bringing ruin. They thought only in terms of high prices ascending to astronomical new heights every morning.

Years later, another time and

Mr. McBain retired in 1958 as Chairman and Chief Executive Officer of Marshall Field & Company. As a veteran merchant, a world traveler, and a keen observer of economic affairs, he is well qualified to discuss inflation. This article first appeared in two installments in the *Chicago Sunday Tribune*, March 15 and 22, 1959.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

place made an indelible impression upon me. I was having dinner with our Italian agent in Florence. The year was 1947. World War II had come and gone. Another country had been hit by disastrous inflation – though not of such proportions as the one in Germany during 1922-23. This night in Italy our dinner check totaled 6,000 Italian lira. To my Italian guest, thinking in terms of his country's currency before the war, I was spending $1,250 on dinner for two! If in the not too distant future a similar situation develops in America, I am certain most of us will be deploring "high prices" rather than correctly blaming our rotting dollar for the disaster.

I asked this Italian agent what he had done to protect himself from the scars of inflation. He told me he had saved regularly 20 per cent of his earnings during 40 years of business life. I asked him about life insurance. Yes, he had started a program many years ago and most of it was paid up. He told me of his expectation that his life insurance would enable him to retire in comfort. Now that retirement was close at hand, he said, there was no question of default; the life insurance companies were paying their claims in full, as promised, in Italian currency. But – and tears came to his eyes – instead of providing lifelong security for his wife and children, his entire insurance proceeds would now buy a supply of food for only three weeks!

My Italian friend, like my German friends, could think only in terms of very high prices.

I do not pretend to be an economist. But I do know something at first hand about inflation. Personal experiences such as these show how tragic its effects can be. Since my vivid experiences in Europe, I have studied the causes and effects of inflation with compelling interest.

Fiasco in France

Perhaps the greatest story ever written on the subject is entitled *Fiat Money Inflation in France: How It Came; What It Brought, and How It Ended.*[1] It was written by Andrew D. White, the first president of Cornell University. Despite the fact that the French inflation described by Dr. White occurred in the latter part of the eighteenth century, its closeness to our own situation today is startling.

The trouble started in 1789 when France found itself with a heavy debt and a serious deficit

[1] A new edition of *Fiat Money Inflation in France* with a foreword by Henry Hazlitt is being published by the Foundation for Economic Education, Irvington-on-Hudson, New York. About 128 pages; $1.25 paper; $2.00 cloth.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

because of an unbalanced budget. There were grave doubts whether the French people would place any confidence in paper money not exchangeable for gold but backed merely by government's promise to pay. Therefore, the government decided to confiscate all the church lands in France and to use them as security for paper moneys. The church real estate formed about one-third of the entire real property in France. It looked like a solid base for a great financial future. (It is now obvious that church lands were a poor backing for currency for the simple reason that no individual could ever obtain these lands or any portion of them in exchange for his money.)

A Vicious Cycle

Against this base, paper money was issued. The new credit caused great joy; the treasury was relieved; a portion of the public debt was paid; creditors were encouraged; ordinary expenses were met. Six months later business slumped again. Politics again prevailed. There was less argument than before against issuing more paper money. A few sound thinkers of that day explained that increasing the quantity of money and credit in any country must soon increase prices, disturb values, alarm capital, and decrease the demands for products and labor.

Nevertheless, the vicious cycle had started; it was politically inexpedient to stop the subsequent issuance of more and more paper money. After each new issuance, business improved temporarily and prices advanced – but the value of all French moneys declined.

Leads to the Guillotine

By January 1793, about 3 billion francs had been issued – all publicly and legally. Prices were constantly rising. Committees were formed to attack and stop inflation. Orators endeavored to enlighten the people by giving every reason in the book for this disaster save the true one. The government blamed the ministry, the nobles, the hardhearted rich, the merchants, the shopkeepers. Today's convenient "whipping boy" – Big Business – was as yet unborn.

In late 1793, the Law of the Maximum was passed – and price ceilings were born. Controls were established on wages, selling prices, profits. The people were overjoyed, but evasion, as always, quickly followed – then scarcities – then rationing. Manufacturers were crippled, agriculture depressed, shopkeepers were ruined if they obeyed the law. Many shops closed – others were looted. Some evaders were sent to the guillotine; others were hanged. (I'm

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

grateful not to have been a merchant in those days!)

At the end of 1795 more than fifty billion francs had been issued. The purchasing power of this paper money (despite the enormous value of the lands pledged behind it) was practically nothing.

On February 18, 1796 – 9 a.m. – in the presence of a great crowd in Paris, the machinery, plates, and paper used to make this "fiat money" were solemnly broken and burned.

Once more, in our own times, the subject of inflation is making headlines every day. We are deluged with newspaper stories, magazine articles, and speeches. Several intelligent articles on inflation have appeared in this newspaper. But it is true, nevertheless, that much of what we read and hear on the subject is complicated gibberish. In some cases I believe it is purposely so. History verifies the statement attributed to Lenin: "The surest way to overthrow an existing social order [government] is to debauch the currency."

High Prices, an Effect

Just what is inflation? "Inflate" means "expand."

To me, "inflation" means inflating the money supply. It is just that simple.

Stated another way, each dollar is a purchase order; that is, it is a claim on goods and services. It is the increasing of these purchase orders – making more of them than is properly justified by the economy – that is true inflation.

People are led to believe, erroneously, that "high prices are inflation." That is putting the cart before the horse. High prices are merely the *effect* of inflation. And quoting Webster's dictionary: "Inflation always *produces* a rise in the price level, in accordance with the quantity theory of money."

Through the Banking System

Our government has a complete monopoly of the "money factory." If you doubt this and care to test it, try manufacturing some money or government bonds yourself! But you had better not: the government's control and monopoly is absolute. Only the government can be a "legal counterfeiter" in the sense of legally creating more money and bank credits. It follows logically that under such control the government, and only the government, can prevent inflation.

How does the government inflate our currency? There are several successful methods, the oldest of which are no longer in favor. They would be too easily detected by the better educated citizens of this generation. In the ancient great days of Rome and Athens, however, inflation was ac-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

complished by "clipping the coins." This was done by the government's taking the coins then in circulation and reminting them so that they contained less gold or silver. The government then represented to the people that they had the same value as before. (Does anyone value our paper dollar of today as equal to a gold one?)

Many centuries later, governments resorted to a much easier method made possible by the advent of the printing press. They simply printed more paper money, thus increasing the government's income much more conveniently than by raising taxes. In our own generation many examples come to mind of the money printing press route – Chile, Germany, France, Italy, Argentina, Greece, Brazil, and China, to name a few. Today, however, we practice a much more subtle scheme to accomplish the same ends. Our government prints bonds and sells them to commercial banks which pay for them by entering deposits (or credits) in the government's bank accounts. Of course, these deposits may be spent by the government (just as you or I may draw on our personal bank accounts).

The Quantity of Money Increases

With its complete monopoly, no matter what method our federal government elects to use to increase the available supply of money and credit, the all-important fact is that it is the government, and *only* the government, that has the power to cause true inflation.

The following table quickly shows the total amounts of usable money available in the U.S.A. at year ends:

1939 – 64.7 billion dollars
1948 – 172.7 " "
1956 – 226.4 " "

It is quite obvious that neither the increase in our population nor the increase in productivity has grown anywhere nearly as fast as the money and credit supply. It is also true, however, that if there had not been some considerable increases in our population and in our productivity, the value of our currency would have decreased much more severely than the approximate 50 per cent drop in the last 20 years.

And People Demand More

Many of our confused ideas concerning inflation stem from oft-quoted statements that labor unions and business cause inflation; the former by gaining higher wages for employees, the latter by increasing selling prices. Since high prices are not inflation; since inflation only relates to money and bank credits; and since only government controls the quantity of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

both, it is obvious that neither unions nor business can *cause* inflation.

However – and this is fundamental – when wages are arbitrarily forced above the market level that would have reflected the existing relationship between the supply of labor and the demand for it, we have the starting point of a vicious cycle:

1. Wages increase.
2. Prices increase.
3. Products lose competitive position in world trade.
4. Unemployment results.
5. Pressure on government to make more money available tends to become irresistible.
6. Government gives in to political pressure.
7. The government creates more money.
8. The value of our money drops – and we have inflation.

Pressure-group Procedures

In emphasizing the government's complete responsibility for *causing* inflation, I do not intend to imply that unions and business are blameless – quite the contrary. When a union or a business or an individual is responsible for raising wages and/or prices faster than the market allows, they are fanning the flames of inflation. They are creating the very conditions that eventually bring such powerful political pressures on government that it will surrender its responsibility to keep our currency good.

People spark inflation. Demands made by "people" for federal funds (no matter what group name they use), when excessive and beyond reasonable limits, cause a breakdown in the normal laws of supply and demand. Such demands lead to property destruction, unemployment, and eventually irresistible pressures on government to extend its power beyond its competence.

Business tends to put the whole blame on labor unions because of their demands for higher and higher wages. But is business – and other so-called moderate groups – blameless? I doubt it. When "great conservative leaders" representing chambers of commerce, churches, slum clearance projects, agricultural "security" groups, hospital building programs, foreign aid devotees, and countless others all demand that their pet projects be included on the "federal gravy train," I believe they are just as guilty as the unions.

Individuals Can Resist

In all these areas – people – you and I – are responsible. The next time I am asked to lend my name and support to any project

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which aims to pressurize government for more federal funds I am sure my answer will be an emphatic "No!" The federal government is already committed to spend far more than it can properly afford.

The recent appointment of a cabinet committee headed by Vice-President Richard Nixon to draft plans for combating inflation is encouraging. It will have no difficulty in ascertaining the facts. The announced intention "to strive to build a better *public understanding* of the problem of inflation" is all important. I hope the committee follows through.

Other governments in other years have lacked the courage to reveal the truth about the real cause of inflation. They have lacked the courage to explain that all inflation is bad – no matter how small or creeping it may be. Once started and not checked, I firmly believe that inflation always leads to disaster—and it always takes the greatest toll from those who can least afford it. • • •

IDEAS ON LIBERTY

How To Kill Trade

LONG BEFORE the close of 1791 no one knew whether a piece of paper money representing a hundred livres would, a month later, have a purchasing power of ninety or eighty or sixty livres. The result was that capitalists feared to embark their means in business. Enterprise received a mortal blow. Demand for labor was still further diminished; and here came a new cause of calamity: for this uncertainty withered all far-reaching undertakings. The business of France dwindled into a mere living from hand to mouth.

This state of things, too, while it bore heavily upon the moneyed classes, was still more ruinous to those in moderate and, most of all, to those in straitened circumstances. With the masses of the people, the purchase of every article of supply became a speculation – a speculation in which the professional speculator had an immense advantage over the ordinary buyer. Says the most brilliant of apologists for French revolutionary statesmanship, "Commerce was dead; betting took its place."

ANDREW DICKSON WHITE, *Fiat Money Inflation in France*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Socialist Propaganda

The result is increased taxes on the people and impoverishes.

REGINALD JEBB

TO CURTAIL the freedom of a people so that the lazy or inefficient members of the community should be enabled to remain lazy and inefficient is not only to impair the most precious attribute that mankind possesses, but it is also bound in the long run to destroy the economy of the country that practices it.

When the State curtails individual freedom, it defends its action by saying that it is helping the weak against the strong, that its motives are selfless and therefore impartial, and that it is preventing the exploitation of man by man.

The fallacy in this statement of aims is seldom pointed out. Personal freedom is not oppressive. It is a God-given human right that holds oppression at bay. The first thing that a tyrant does is to deprive his people of freedom. So long as they remain free, he cannot succeed. Those who support the State's claim to restrict freedom of action to itself are equating personal freedom with injustice. That there is injustice in the world and that undeserved hardship exists, all will agree; but remedies of these evils are not to be found by confining freedom to a ruling clique. Nor will any of the State's arguments bear examination.

What, for example, is the State's attitude as regards the weakness or strength of members of society? It assumes that the wage earners of organized labor are the weak members that need help, and it sets itself to nationalize industries and pour money into them, to boost wage rates whenever the cost of living rises, and to solicit popularity by deferring to union demands. But

---

Mr. Jebb is a British educator, editor, and journalist.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

these wage earners are not the weak of today's world. On the contrary, they are backed and protected by one of the strongest pressure groups that exist in industrialized countries. Other bodies, such as professional men, small proprietors, or that heterogeneous section of the population that through misfortune or lack of opportunity is suffering hardship, have none of these advantages; and the State passes them over. They do not fit the artificial category of those with a claim on the country's taxes.

Nor can the socialist State justly claim that it is impartial in its distribution of favors. Those in power are influenced by their desire to remain in power. Their actions are therefore dictated more by a determination to stand well with the big battalions who provide most of the votes at elections than by an impartial assessment of need. Indeed, even if this were not so, the distance at which they operate from life as it is lived by millions of diverse individuals would make it impossible to form sound judgments. Their disbursements of other people's money, so far from giving encouragement to those that need it, produce only a spirit of dependence in the recipients and of frustration among the rest.

Consider again the exploitation of man by man. If a government were really to undertake the task of eliminating this evil (an evil which in the last resort can be cured only by insistence on human rights by the people themselves), it would have to sift all grades of society, for exploitation is liable to occur at all levels. It would have to suppress – to take a single example – the many injustices practiced by the trade union movement where, for the supposed benefit of the mass of members or in the dealings of powerful unions with others less amply financed, individuals can be boycotted by their fellow members and prevented from finding work, and the smaller unions eaten up by their big neighbors. But no socialist government has ever tackled or is ever likely to tackle such instances of exploitation as these. It concentrates its efforts on disputes between management and labor in industry and turns a blind eye to the injustices that take place within the labor ranks. It could hardly do otherwise, for it owes its existence to pressure groups with the most numerous following.

Socialist Blueprint of Utopia

If we want to examine the aims and methods of socialism at firsthand, there is a booklet recently issued by the Labour Party of Great Britain that will enlighten

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

us. It is a glossy document, expensively produced, which sets out under fourteen headings what a socialist government intends to do if it comes into power.

There are two marks that characterize this socialist blueprint of utopia. They are, first, big increases in governmental expenditure, and, second, a bland assumption that all the glittering amenities heralded – in fact, almost everything that is normally considered to be a matter for decision by individuals according to their aptitude and choice – must be organized and handed out by the State.

Rent Control, Socialized Medicine, Old Age Pensions

Let us take a few examples.

Under the heading, "Your Home," we read: "The first step must be to repair as far as possible the damage done by the Tories. The Tory Rent Act decontrolled 800,000 rented houses and permitted landlords to raise the rents of the rest. We will repeal it. . . . We shall stop all further decontrol." That is a good instance of currying favor with a big section of the population in defiance of ordinary justice to the smaller number of owners. Rent control, which the Conservatives began to break down by their overdue Rent Act, had long been utterly unjust as well as grossly wasteful; for, with restricted uneconomic rents, it was impossible for owners to keep their houses in repair. Furthermore, the socialist proposal is hypocritical since houses owned by local governments have no restriction on the raising of rents. In addition to this, taxpayers' money is to be poured out on the compulsory purchase and modernizing of houses now privately owned.

Another example occurs in the section entitled "Health." This deals with the State Health Service which, while converting the medical profession into what is to all intents and purposes a civil service responsible to the State instead of a profession entering into a free contract between doctor and patient, has lavished millions of pounds on the doctoring of people who could well afford to pay for it themselves. The Labour Party proposes to spend a great deal more of taxpayers' money on building new hospitals (which used to be built and supported by private initiative) and by abolishing altogether charges on prescriptions, dental treatment, and spectacles – charges which are already utterly uneconomic. In a word, it is going to complete the strangulation of a profession and at the same time squander the country's money.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

One more example out of the many that might be cited: It is proposed that old-age pensions shall be increased. In addition, there is to be a superannuation pension for those who have paid the weekly stamp charge on their incomes. Much of the extra money needed for these purposes will come from the better-off taxpayer.

False Claims of Socialism

It is not surprising that these socialist plans should have been criticized on the grounds that they would necessitate greatly increased taxation on a country that is already bearing an almost intolerable tax burden. The planners' reply is that this will not be so, because under socialism there will be a rapid expansion of production. "We shall get the machines and factories working at full capacity," they say. "We shall put the unemployed back to work."

These claims are calculated to influence the ignorant voter in favor of the Party. They are flatly untrue. Unless the State assumes control of *all* the means of production (which would universalize the wasteful inefficiency characteristic of the present nationalized industries), it would have no power to expand production as it promises. But there is a still stronger refutation of its claims. Great Britain has to export some 30 per cent of what she manufactures to pay for food and raw materials imported, but no government can compel other nations to buy our goods. Therefore, no government can insure that there shall be full employment, for without exports no amount of governmental action could prevent unemployment.

It is this kind of socialist propaganda that is so dangerous. It aims at attracting the general public by what is in fact an exact reversal of the truth. Trade, and with it the maximum use of the industrial population of a country, will succeed in proportion to the excellence of the product combined with ability of management. This requires special training and a free market in which to exercise it, both of which requirements are absent when the State steps in to control industry.

Two conclusions follow irrevocably: the result of State interference in industry will be an increase, not a decrease, of unemployment; and, therefore, the extra money the government spends on socializing a country will come out of increased taxes levied on a people it has impoverished. • • •

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the GROWTH Objective

"MAN IS A CREATURE who lives not upon bread alone, but principally by catchwords," wrote Stevenson three-quarters of a century ago. Economic debate is a running record of the correctness of his statement. One catchword after another takes the popular fancy, is bandied about as if it were the final expression of truth, becomes the slogan for a variety of debatable proposals, is gradually subjected to the cold light of analysis, loses its glamor, and passes into the discard, to be followed by another magic phrase.

Among the catchwords in greatest favor at the moment is "economic growth." Like other catchwords, it expresses or implies an objective which is obviously desirable in itself. It is harmful only to the extent that it comes to be regarded as describing a new and epoch-making discovery that supersedes old rules and principles, and hence is used to justify specific measures that violate these rules and principles.

From *The Guaranty Survey*, March 1959. Albert C. Wilcox, editor.

What Economic Growth Means

Economic growth is usually discussed in terms of what the Department of Commerce calls the gross national product, the total estimated money value of all goods and services produced in the United States within a specified period. Unfortunately, money is the only common denominator available to measure the wide variety of goods and services produced. Money, however, is a very imperfect unit of measurement because the value or purchasing power of money changes as prices rise and fall. Variations in the gross national product, therefore, reflect two sets of changes: changes in the amounts of goods and services produced and changes in the prices of these goods and services.

To overcome this difficulty, the Department of Commerce estimates the gross national product not only at current prices but also in terms of a hypothetical dollar of constant purchasing power. This is the so-called real national product, a sort of aggregate of what may be roughly thought of as the physical volume of output,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

although no physical unit of measurement is or can be used, and although physical volume has no literal meaning when applied to the output of services.

The real national product, despite its admitted vagueness and imperfections, is generally accepted as a useful concept and a fairly good measure of over-all production, and the increase in this product from one time period to another is what is usually meant by economic growth.

Thus defined, economic growth is an objective with which few people could quarrel. It means more useful things to serve the needs and desires of the people. It is what men have always striven for in their individual lives and what economists have always pointed to as the greatest hope for material progress in the future. It is an idea, an aspiration, and a reality as old as human history. Despite the immense obstacles placed in its way by ignorance, superstition, physical violence, and political interference, it has been interrupted only temporarily, because it is a product of human nature and normal human behavior.

Growth in a Free Society

In a free society protected against violence and fraud, economic growth is an automatic process. It takes place as a result of the desire of individuals to better the material condition of themselves and their families. In this endeavor, people save, invest, devise new and better tools, invent new products and new processes, and employ other people in order to operate more efficiently and on a larger scale. In this respect, individual proprietors and corporations behave in essentially the same way. Under the spur of competition and the profit motive, they strive constantly to produce more and better products at a lower cost. The result is economic growth.

For centuries during and after the Middle Ages, this natural process was retarded, and at times halted completely, by the extreme insecurity of life and property and by tight political restrictions on economic activities. When the system of state prohibitions and state-protected monopolies now known as mercantilism gave way to a regime of relatively free enterprise about two hundred years ago, the Western world entered upon a period of unprecedented economic growth. Within decades, the material conditions of life changed more than they had done in centuries of feudalism and mercantilism. This almost explosive progress is still going on, and it still owes its vitality to the same individual initiative, the same desire for personal self-betterment,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the same freedom from paralyzing controls that actuated it from the beginning.

Many Complicating Factors

Economic growth in our complex modern society, while automatic in the sense of being self-generating, is not completely smooth and uninterrupted. It requires balance among many interrelated and interacting forces. As saving and investment increase, the supply of productive equipment must increase accordingly, and the same is true of the relation between consumption and the supply of consumer goods. Prospective markets cannot be gauged with perfect accuracy, nor can prospective costs. Industry must become familiarized with new processes and consumers with new products. Workers must find and learn new jobs. There is a constant need for readjustments and the correction of errors, and these corrections take time. For all these reasons, total output can never equal theoretical capacity. One hundred per cent employment of human and material resources is an impractical dream.

How fast can economic growth occur in practice? Between 1929 and 1957, both of which were years of generally good business, the real national product increased at an average rate of slightly less than 3 per cent a year. This company's index of business activity, which reflects a long-term rate of growth approximating that of the real national product, rose at about 3.6 per cent a year during the postwar period 1947-57. It is questionable, however, whether such a high rate can be maintained over a longer term, as the postwar years were to some extent a "catching-up" period following the long depression of the 1930's and the war-induced shortages of the early 1940's. Experience so far suggests that 3 per cent is about as high an annual rate of growth as can be reasonably expected over a long period, although any such answer must, of course, remain subject to revision in the light of future developments.

Danger of Arbitrary Goals

The essential point is that experience must be the guide. No arbitrary rate can be postulated and treated as a national objective. This is where the sloganeers of "economic growth" are treading on dangerous ground. To them, economic growth is not merely a natural and desirable occurrence; it is a program. They would set up a goal based upon theoretical calculations rather than practical experience, and in striving to achieve this goal they would make use of fiscal policy, monetary

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

policy, and various forms of centralized planning.

The most popular objective among the "economic growth" enthusiasts seems to be a growth rate of 5 per cent a year, apparently because this is approximately the average rate for the early postwar years when industrial reconversion from war to peace and the great upsurge in prices were over. This is below the wartime rate of 10 per cent or more achieved under obviously abnormal and highly inflationary conditions, but it is substantially above the 3 per cent rate based on actual long-term experience. The 3 per cent rate is rejected by the "5 percenters" as inadequate because the long span of years on which it is based included some periods of recession – with the clear implication that such periods can and should be avoided in the future.

Blueprint for Inflation

How would recessions be avoided, according to the 5 per cent school? Principally by making the 5 per cent growth rate a national objective and shaping fiscal, monetary, and business policies around it. To begin with, federal spending would be deliberately increased at that rate. This rise in federal spending, reinforced by appropriate tax, monetary, price, wage, and profit policies, would cause other types of expenditure to increase accordingly. The increase in total expenditure would be matched by equivalent increases to output, incomes, and governmental revenue so that there would be no price inflation, no Treasury deficits, no increases in tax rates, and no rise in the ratio between governmental and private spending. The only difference would be that economic growth would proceed steadily at the 5 per cent rate, instead of varying from year to year and averaging out at about 3 per cent, as in the past.

This program is so full of gratuitous and unrealistic assumptions that it would be difficult to know where to begin the list. Its weaknesses might be summarized by the statement that it assumes the feasibility of an arbitrary rate of growth at variance with the testimony of experience, and assumes further that this rate could be achieved by inflationary methods that would stimulate without inflating and without causing a "boom-and-bust" cycle.

Actually, the rate of economic growth in a free society is determined by the same factors that cause it, namely, the relative propensity of individuals and business firms to spend, save, and invest. It is the net resultant of a complex set of powerful forces. It

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cannot be predetermined, and any plan to increase it by fiscal manipulations is simply a blueprint for inflation.

Uninterrupted Boom Impossible

It is easy to understand why theorists become impatient when they contemplate the gap between actual output and full capacity, and why they are prone to devise schemes for closing this gap. Yet it is significant that businessmen are seldom found among proponents or adherents of such schemes. Businessmen know by experience that economic freedom includes the freedom to make mistakes and that only in a society where mistakes are never made can output continuously match full capacity. Economic regimentation offers no solution, because dictators also make mistakes, and their mistakes not only are on a larger scale but also are beyond the discipline of free markets, the great automatic correctors of mistakes. Dictators' mistakes may not cause unemployment in the usual sense, but they are sure to cause hidden unemployment in the sense of misdirected utilization of resources.

The desirability of economic growth is not subject to question, and if the United States can achieve a long-term annual growth rate of 5 per cent or even more, so much the better. But when economic growth becomes a slogan for proposals aimed at uninterrupted business boom, it becomes a menace to economic stability and economic freedom as well. • • •

HISTORY is with him

TO DATE, no one has accused President Eisenhower of being a deep student of history, but apparently he has delivered himself of a comment which is backed by the weight of a great deal of history. He is credited by *Life* magazine with having said at one of his National Security Council conferences, "Damn it, when are you going to learn that national security and a sound economy are the same thing?"

From *The Indianapolis Star*, March 10, 1959.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This is a rather crude expression of a profound fact which takes people and nations a long time to grasp. Yet, this simple statement has a great deal of validity insofar as history is concerned.

The communists have fully accepted this as a central point in their attack on the capitalist, or free enterprise, systems of the world. They know that more nations have died from the lack of a sound economy than have ever been killed off by external enemies. In fact, history has recorded that the assaults by outsiders are not successful until the internal structure of a nation has been weakened.

So far, there are some in this country who have refused to believe what history teaches. They insist that national security is purely a military endeavor in which the number, size, and capabilities of arms determine the safety of the State. They refuse to believe that an obsession with military might can be as damaging as direct attack. They are willing to build ever larger armed forces, even at the risk of destroying the system which these instruments of war are designed to protect.

The nation does need military protection and it must have the capability of meeting reasonably anticipated assaults from external enemies. But if the economy which creates these armed forces is destroyed in the process of building them, then what is there left to defend?

The brief history of the Confederate States of America is a capsule case in point. At the outset of the Civil War, the armies of the Confederacy provided it with national security; but as the war wore on, the economy of those states was less and less able to sustain the military effort. Some historians will argue that the Confederacy died not so much on the battlefield as in the failure to achieve a sound, productive economic system.

President Eisenhower's blunt statement of the interrelationship between national security and a sound economy is one of the most heartening bits of news to come from the nation's capital in some time. • • •

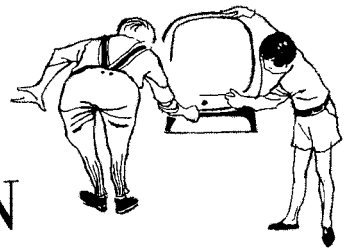
IDEAS ON LIBERTY

James Madison

WAR IS THE PARENT of armies; from these proceed debts and taxes; and armies, and debts, and taxes are the known instruments for bringing the many under the domination of the few.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FEDERAL AID for EDUCATION



or, FISCAL LEGERDEMAIN

It was a cloudy afternoon
At story-telling time.
Old Kaspar chose a fresh cigar
And poured a rum-and-lime,
While Peterkin and Wilhelmine
Looked at the television screen.

They saw a crowd of laughing men
Go through an open door,
And dump their loads of dollar bills
Upon the Senate floor;
Then all at once without delay
They fought for loads to take away.

"Now tell us what it's all about!"
The little children cried.
"It's Federal Aid for public schools,"
Old Kaspar soon replied;
"It pays for schools in every town,
And keeps the local taxes down."

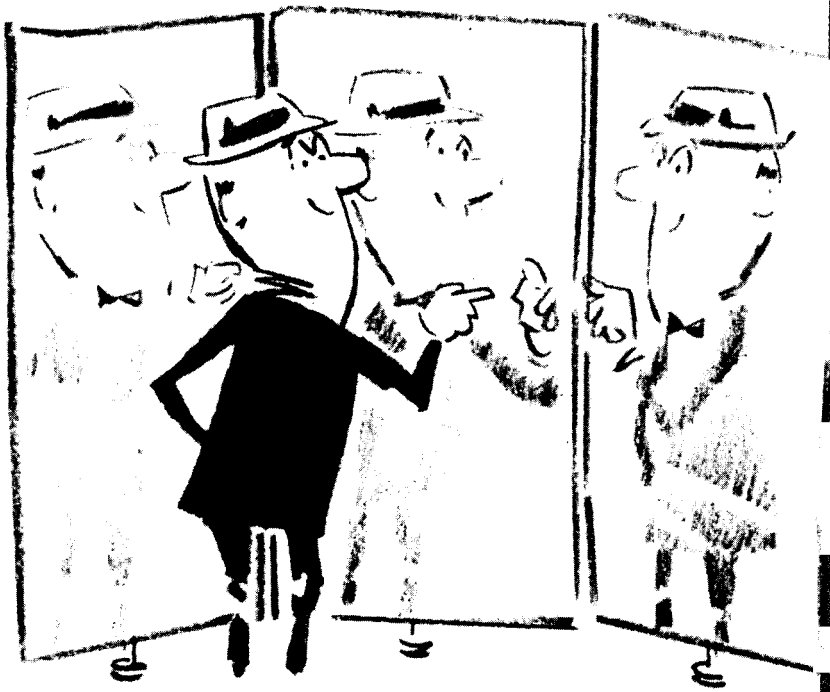
"There was a time," Old Kaspar said,
"When folks from east to west
Could not afford a decent school,
But now they have the best;
For when they're short of cash, you see,
They get their federal subsidy."

"But all the cash those people got
Was what they brought today!"
"There are some folks," Old Kaspar sighed,
"Who think of it that way;
But most believe that Federal Aid
Is larger when received than paid."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

LEONARD E. READ



"Sell those Masses—
They have the votes."

THE MASS MAN

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

OVER AND OVER again the argument is dinned into our ears, "Let's stop talking to each other and reach out instead for the unconverted. Sell the masses on freedom; they have the votes." This advice is superficially cogent, with the result that hundreds of millions of dollars and untold man-hours have been expended in an effort to "bring light" to the masses.

But an impartial survey of these efforts fails to turn up even one which lived up to its promises; all have proved dismal failures. Nonetheless, the search for national salvation through "selling the masses" is as persistent today as it ever was.[1]

If there is such a thing as "the masses," there must be such a thing as a mass man. But who in heaven's name is he, and where's his hangout? Perhaps he is among those who urge mass reform, for they are so numerous that the remaining population can hardly qualify as "the masses"!

[1]Success in mass production and sale of commodities — autos, watches, soap, corn flakes, cosmetics — has influenced many to erroneously conclude that ideas can be mass sold. There is, however, an important distinction between marketing products — things that satisfy desires of the flesh — and spreading ideas, the latter being accomplishments of the intellect. Commodities, once produced, are ready for consumption, whereas "selling" an idea requires that each "buyer" reproduce it in his own mind.

Those who would "sell the masses" don't give us much of a clue as to the characteristics of the mass man except that he is low grade intellectually. He is always pointed to as one who needs vast improvement, so obviously he is something of an ignoramus.

The Search for "Someone Else"

Within these popular terms of reference, "the masses" who "don't understand" would seem to include the finger-pointers themselves. For, pray tell, who among us has a monopoly of understanding? Can it be those who insist that *someone else* be brought to a state of wisdom, especially when nearly everyone is pointing to someone else? Or, could it be that those who point their fingers are unwittingly pointing at their own reflections? Thinking they see someone else, they spend their money and time on the reformation of reflections and shadows, forgetting, as Thackeray put it, that "the world is a looking glass and gives back to every man the reflection of his own face." Small wonder that programs for educating the masses have so consistently met with dismal failure!

There is, though, a real mass man — millions of him! And he is not necessarily an ignorant fellow. By all the standards we use to measure intelligence, the best

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

intellects among us may be of the mass. The real mass man is likely to be found in a position of leadership – in the church, in business, in the classroom, on the farm, and even more conspicuously in government and all committee-type organizations. This real mass man, I submit, has been escaping our attention because our natural inclination in the face of social problems is to seek the culprit among those whose behavior differs from our own. Using our own behaviors as the norm of righteousness – "our" being the most of us – we find it difficult to discover the mass man in ourselves. It is almost unbelievable that *we* could be the masses.

"Mass Man" Defined

How are we to recognize the real mass man – in others, or in ourselves? *The mass man is anyone who lives by a double standard of morality, who acts in the mass – the collective, the committee, the organization – in a manner inferior to the way he acts on his own responsibility.*

Take Joe Doakes for example: he wouldn't kill a fly, let alone take the life of a human being. Yet, Mr. Doakes will join a mob, hang another by the neck till he's dead, and feel no remorse whatsoever. To his mind, the mob, not he, is responsible. Joe is definitely and definitively a mass man. For, Joe's moral standard when acting in mass is inferior to his moral standard when acting individually.

Most persons would agree that Joe Doakes fits the definition – but they themselves have never behaved like that! No, there aren't many lynching parties in this day and age. But, if the definition is accepted, the shoe will come nearer to fitting – and pinching – as we move on to more common examples of mass action.

For instance, suppose the federal government were to decree that all farmers are entitled to $30.00 for every acre of land taken out of production and that each farmer, with the help of an armed officer assigned to him for the purpose, is to call personally on people, rich and poor alike, and forcibly collect the booty. Disregarding the inefficiency of this cumbersome method, how many farmers would take advantage of such a law? Few indeed, for this personal, face-to-face procedure would be as revolting to the farmers as it would be to the payers of the pelf.

Farmers in the Mass

However, let us give the immoral conduct sanctioned by this law the appearance of being depersonalized, rewriting it in conformity with the way it now stands on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

our statute books. Let the mass agency – government – do the forcible collection for the farmers. Nearly all feeling of guilt disappears. Indeed, in most instances, what would have been a feeling of moral revulsion gives way to an opposite sensation: *a right to the property of others.* This actually has happened to most of the million and more farmers now receiving such collections for not growing something. The action of farmers in the mass is inferior to the way each of them would act personally.

Of course, it is not right to single out farmers as typical mass men. They qualify no more than do those of other occupations, such as the producer of steel products who wouldn't personally raise his hand to stop an exchange between two of his neighbors but who will solicit the help of the mass agency – government – to hinder and penalize certain exchanges in order to improve his own chance of getting that business. He has a moral standard for mass action inferior to his moral standard for personal action.

Who in the church or the chamber of commerce would personally take the property of others by force to satisfy his charitable or welfare instincts? Except in rare headlines, such persons simply do not exist. Their personal standards of morality are above such action. Yet, the mere pretense of depersonalizing the act – doing it in mass, in the collective, in the organization – reduces their souls to the level of robbery. From the pulpit and in countless resolutions from every type of organization we hear and read solicitations to the federal pap-wagon, pleas for police grants-in-aids. These individuals – everyone who acts in this manner – are mass men, "the masses," whether their solicitations be for hospitals or airports or TVAs or subsidies for nonproduction or for anything else in the socialistic bag of tricks.

Depersonalizing the Act

Apparently, it is the appearance of depersonalization that accounts for this destructive, inferior standard of morality. Joe Doakes thinks of the mob as doing the lynching, and so does each of the others. Everyone considers himself absolved of any evil, as if an abstraction – a mere term, "the mob" – could hang a man! But does action by a collective absolve the individuals who compose it of the responsibility for the collective action? An affirmative answer is absurd. The following story illustrates the point:

A person reputed for his libertarian views was a visiting guest

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

at a chamber of commerce meeting. Favorable action was taken on three committee reports, all of which were pleas for the federal government to use its compulsion to obtain the property of others that the local community might be "benefited." At the conclusion of the meeting the visitor was invited to "say a word." This is all he said:

> Remus Pagwagon passed away and his spirit floated to the Pearly Gates. The spirit knocked. Saint Peter responded and inquired as to the purpose of the visit.
>
> "I crave admittance," said the spirit.
>
> Saint Peter looked over his list and sadly announced, "Sorry, Mr. Papwagon, I don't have your name."
>
> "Don't have my name? How come?"
>
> "You took money from others, from widows and orphans as well as the rich, in order to satisfy your personal notions of doing good."
>
> "Saint Peter, you are in error. I had the reputation of an honest man."
>
> "You may have had that reputation among those who acted in a manner similar to yourself, but it was an undeserved reputation. Specifically, you were a financial supporter and a member of the board of directors of the Opportunity Chamber of Commerce, and that organization sponsored a government golf course, to mention but one of many irresponsible actions; that required the coercive extortion of the earnings of widows and orphans to benefit would-be golfers."
>
> "Ah, but that was the Opportunity Chamber of Commerce that took those actions, not your humble servant, Remus Papwagon."
>
> Saint Peter looked over his list again and then said, "Mr. Papwagon, we don't have any chambers of commerce or labor unions or councils of churches on this list. There is nothing but individual souls."
>
> Saint Peter closed the Pearly Gates.

Whereupon, the meeting adjourned, but some in attendance that day are still speculating on the whereabouts of the soul of Remus Papwagon and on the prospects for others who similarly deny self-responsibility.

Each of Us Is Guilty

A painful fact to keep in mind is that every living person in the U.S.A. to some extent qualifies as a mass man. Let each take note that any finger of shame points in part at his own reflection. Abso-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lute purity in conduct in response to the dictates of individual conscience is not attainable; it is only approachable.

If one would continue life – an aim this author commends – there is no way to divorce oneself completely from the way of life imposed by men who act in mass, by men who act in some manner inferior to their highest personal standard or morality. Few, if any of us, know how to live except in the market and in society as it is. The very bread we eat is from subsidized wheat. The mail that takes this issue of THE FREEMAN to the reader is rank with special privilege, as socialistic as anything in the U.S.S.R. Much of the power and light we use is on the rob-Peter-to-pay-Paul basis. Our economic blood stream – the money we use to exchange our millions of specializations – is shot through with the adulterations which result from the Pap-wagon way of life. The only alternative to life in this smoggy atmosphere is death itself.

We Can Try

Absolute purity is unattainable. But we can paddle in the direction of purity. So far as the mass agency – government – is concerned, we can refrain from ever standing sponsor for any socialistic activity, and we are free to employ all the persuasion we can muster to explain the fallacies of state ownership and control of any productive and creative activity.

So far as voluntary mass agencies – committees and organizations – are concerned, we can, if we are a part of them, act always in accurate response to our highest individual standard of morality, realizing that there is never any escape from a personal responsibility for any collective action in which the individual participates. And, one more thing: We can refuse to be a member or financial supporter of any voluntary organization that takes action for which we are unwilling to stand personally responsible.

Organizations Often Misrepresent

Here is an example of how voluntary collectives all too often misrepresent us: A spokesman for a business organization appeared before a committee of Congress. By reason of what a small committee had resolved, he claimed to speak for several million businessmen. His report made concessions to rent control, concessions that many of the members would disapprove. In short, a lie was told. Many businessmen of libertarian views were represented as advocates of rent control, a socialistic item. Identity with such organizations is no way for a man to re-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

flect accurately that which he believes to be right.

Nonetheless and more or less, we are all of the masses. And what we see as imperfections in others is little else but a reflection of how far we are from our own potential perfections. So, there may be something to "selling the masses" after all – that is, if each of us correctly identifies the individual seen in the looking glass as part of the mass and thus an imperfect man. Here is a fact so dimly appreciated it can be classified as secret: Further enlightenment of the man reflected in one's own mirror is the sole means he has of bringing more light to others. • • •

Still Some INDIVIDUALISTS

LUMAN N. NEVELS, JR.

IT IS REMARKABLE that the Junior Chamber of Commerce has the courage to continue year by year to honor individuals. The very concept of extracting from the mass an individual thought, idea, or man is becoming more and more unpalatable in our world. "Individualism" has become in our day almost a dirty word. We have seen the spectacle of the masses, I may even say, the mob, for all intents and purposes, taking over. It is in this respect that the Jaycees are actually going against the current and, I must say, a pleasing sight it is!

We have all lately suffered earaches listening to this socialist pap from the so-called experts, judges, teachers, children, from psychiatrists, sociologists, and other technocrats that we must "learn to get along with one another." To these people and their slavish followers the greatest achievement apparently is to be a cog in the social wheel; the greatest attainment is to fit in. All this is really semantics because what they really mean is this – don't

The Honorable Mr. Nevels, Hawaiian judge, delivered this address before the Junior Chamber of Commerce. It later appeared as a guest editorial in the *Hilo* (Hawaii) *Tribune Herald* of January 25, 1959.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bother me, don't upset the apple cart, don't be unpredictable.

My, what a dull society we have conceived; what a trivial and headless bunch we have nurtured. The vast majority of us get up, go to work, come home, and drop off to sleep watching some near-moron over the television name that tune. We endure life; we don't live it. We do as little work as possible, often because we recognize innately that it's really not very important or very useful work. In order to keep us at these often dull and unsatisfying tasks, we have to be bribed frequently with pay raises, honors, and platitudes. We must continually be impressed by people telling us what an important thing we are doing in order merely to keep from going mad. This ego inflation sometimes even makes us believe that what we are doing is essential, is important, is something to warrant greater pay and privilege. And thus we become greedy and we demand more and more and more.

A Materialistic Void

And yet this merry-go-round provides us material plenty. Most all of us have our 3,200 calories a day and more. We drive around in monstrous automobiles and spend many of our working hours planning what we shall do with our leisure. We are really fine folk. We have become persuaded. We have given to all without discrimination the vote and the capacity to rule us. We salve our consciences without trouble by giving a pittance for charity – or more if we have a guilty conscience – and let the rest of the world go by. We damn the politicians and cluck our gums when the inevitable frivolity and stupidity manifests itself. We dwell in a perfection of neon signs and sexy television commercials which flatter our base judgment and grant our desire to be anonymous. Now, where has this primrose path led us?

We are confronted by the delightful spectacle of having a Gargantuan government – or really a series of governments, one tumbling over the other. These governments perform all manner of ego-satisfying tasks, many of which are unessential and some of which are even harmful. But by whetting our appetites for more and more, these governments grow grander and bigger and more terrifying. We are millions of little dogs chasing our tails. I learned a couple of days ago that we have finally reached the fantastic folly of having one out of every six persons employed in the United States working for the governments. And these do not include the military

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

services and those receiving public assistance. We now have for every nine workers two people on the public payroll. And is this ratio growing smaller? This bureaucratic army in our midst has developed into a self-perpetuating Frankenstein that regulates us to oblivion, taxes us limp, and robs us of our individualism.

I resent this. I abhor it. I rebel against it.

Fortunately, I am not alone. Thank the Lord there are a few people yet who put stock in the individual. There are a few people yet who can say no. The real individualist doesn't do this for the effect. He does it because he can think. He is not doing it merely to be obstreperous, nor for the publicity effect which is usually adverse anyway; but he does it because he has a conscience and realizes that it is not necessarily true that the majority is always right.

An Indictment of Our Times

If this sounds like an indictment of our times, let me assure you it is just that. However, I am gratified that there are a few organizations which still recognize individuality and still praise it. And I can feel no more comfortable any place than in these surroundings to issue my heartfelt plea for the appreciation, on the part of those of us who can still think, for that individual. We have merely to look back in any stage of history to discern that it was great or foolish only insofar as it produced great or foolish citizens. Outstanding leaders, whether they are great or infamous, are the only measure that we have or will ever have in appraising an era. For the leaders, in a very real sense, represent the greatness of their people – as Winston Churchill did in the England of 1940, as Abraham Lincoln did in the 1860's.

I ask that you examine the state of affairs in which we dwell. Have we become suffocated by that noxious miasma so ridiculing the egoist, the individualist, and the leader that we have become gluttons for extinction?

I say there is yet hope. I say that there are trainable people among us. I say there is some remnant of the desire of liberty and freedom and achievement, some courage yet remaining to decry the thought of insured security; some place yet there are the makings of a race who can conscientiously assume leadership without either apologizing for it or doing so for self-aggrandizement. I think there remain within the airless cocoon we have created still some individualists. • • •

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A business leader, "increasingly preoccupied with freedom," explains . . .

WHAT INDUSTRY EXPECTS OF THE ENGINEER

MARVIN M. SCHMIDT

RECOGNIZING its heavy dependence upon the engineer and scientist, and also knowing that research and development are an important element in the rapidly rising fixed costs of doing business, management is properly asking whether the return is commensurate with the investment, whether the American engineer and scientist are doing the best job of which they are capable, and whether the quality of our scientific and engineering knowledge is all that it ought to be.

Industry, of course, expects technical competence from its engineers. To whatever extent, if any, America may now be lagging in such competence, by contrast with its economic competitors, that lag can and will be overcome without undue difficulty. The question here is only one of how much time will be needed to reassert unquestioned supremacy, and I believe it will be less than the pessimists fear.

But a growing part of industrial management – and, in my opinion, the most responsible and forward-looking part – has fears of a deeper sort about engineers, scientists, and members of the professions generally. We fear that the engineer, the physicist, the chemist, the medical specialist, and the legal expert may feel he has discharged his full debt to society by attaining utmost mastery of his own occupation.

There is a strong temptation for

Mr. Schmidt is an industrialist and President of the Iowa College Foundation. This article is a condensation of his address on February 25, 1959, before the Iowa Engineering Society in Des Moines.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the professional man to feel this way, as he struggles to assimilate the mass of new knowledge constantly being introduced into his own specialty and to relate his work to even a few other disciplines that are most closely allied with it.

There is a strong temptation for the scientific and technical man to say to himself, "I have devised the formula – or put together the machine – and that is the end of my responsibility. What happens afterwards, or what happens outside the world of formulas and machines is somebody else's responsibility."

There is, I suspect, a temptation for the technically educated man – trained in mathematical exactitude and the handling of nonhuman materials – to feel a secret scorn for what he understandably, but shortsightedly, views as the bunglings of politics and the untidy confusion of humanity outside science.

Human Problems in Industry

It may surprise some of you to learn that industrial management becomes more and more convinced that strictly technological problems of the kind with which you directly deal as engineers are now of secondary importance to the far less manageable human problems that crowd in upon industry from every side. Management is increasingly preoccupied with a concept called "freedom," which lies beyond the boundaries of mathematics and science but has a greater practical bearing on the future of American industry than the blueprints and designs and testing laboratories. Management is giving serious heed to words like those of Dr. Charles Malik, the great Lebanese philosopher and statesman, who said the other day at Dallas, Texas, that the United States faces three great dangers to its survival as a dominant force for good. Dr. Malik listed these dangers as follows:

1. A possible weakening in America's faith in its own ultimate values.
2. A wave of complacency, ease, and comfort.
3. A conspiracy of forces, worldwide in nature, whose only concern is to blacken the name of America.

Some will say that engineers and scientists are doing their full part to meet these dangers by providing America with the means of out-producing its enemies in material goods, whether of military hardware or of civilian well-being. Industrial management is no longer sure that this is a good enough answer; in fact, it holds the opinion that this is not enough.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Believe me, as American industrial managers survey the slow erosion of freedom in American life, we are painfully aware of our own shortsightedness in giving too little attention to the climate of political and moral values out of which this erosion has developed. We, as part of management, are beginning to see that if we occupy our energies entirely with research and development, production, marketing, and finance, we can build a superlatively excellent economic machine, only to have it seized by the foes of freedom and transformed into an instrument of destruction for the liberties of the American people.

The Armor of Citizenship

We management people now have started to realize that we have a bigger responsibility than that of management in the narrow and technical sense if we are to be true to our trust to the millions who have invested their savings in the capital enterprises we operate and to the many more millions who look to us for employment as free men and for goods and services in a free market. We know now that we must find the time in our days to break out of our confining shells as management technicians and assume our proper responsibility as *citizens* to help preserve a free society. And what we ask of ourselves, we feel we have a right to ask from the members of that professional and technical *elite* – including engineers – who are associated with us in American industry. We have awakened to the solemn truth that productive capacity and technological skills do not of themselves spell freedom.

And so it is that the real obligation which industry lays upon the engineer is an obligation to put on the armor of alert and stalwart citizenship, in which you will sally forth from the protective cloister of the drafting room, and do battle in the hard, tough, and confusing world of conflicting ideas, swirling emotions, and highly charged propaganda. This is the world where America's destiny will be decided. This is the world where the issue will be settled: whether you and your descendants, along with the rest of us and our descendants, will be kept and faceless automatons of a superstate, ruled by force and fear, or whether we shall safeguard our heritage of individual choice and personal decision.

Understand and Explain

Effective participation in this struggle requires that you understand, and – beyond understanding – speak out, on such issues as taxation, profits, and labor relations. It requires that you grasp

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the significance of a tax load that has risen from 11 per cent of net national product in 1929 to one-third of that product now. It requires that you be prepared to explain the significance of this increase to all with whom you come in contact, and that you join in an organized way with others to check this trend before the tax load grows to 40, 50, or 60 per cent of all we produce.

Effectiveness in the struggle for freedom requires that you take some personal part in rescuing the honorable word "profit" from the disrepute into which we have permitted designing men to drag it. The trend toward state control has been accelerated because we have allowed the institutions of free market capitalism to fall into disrepute. Each of us, as part of American industry, has an obligation to re-establish profit in the minds of men for what it really is: a social institution that provides one of the foundation stones of liberty. In a competitive society, it is the reward for social service which the community, of its own free will, bestows on the enterpriser. If the concept of profit is destroyed, then we must turn our backs on the whole idea of free choice in economic affairs, and be prepared to accept the dictates of whoever is powerful enough to gain and hold control of the State.

Effectiveness in the struggle for freedom requires that you have the courage to speak out against the abuses inherent in labor union monopoly power, which lead inevitably to the sordid state of affairs so abundantly documented by the McClellan Committee. You must be prepared to help strip the mask of hypocrisy and apology from the police departments, sheriff's offices, and – yes – even judges on the bench, who bow to the inordinate political power of union officials by blinding their eyes to bombings, beatings, arson, and physical violence on the picket line. You may need to join with other good citizens in helping to establish local crime commissions that will concern themselves with upgrading the whole standard of law enforcement in this country as it relates not only to labor hooliganism but also to syndicated crime, juvenile delinquency, and a host of other sores that are eating away at the vitals of America.

The Promise of Freedom

In short, industry asks of the engineer that, in addition to being the best possible engineer, he be also – and above all else – a true American. Industry asks that the engineer first see for himself and then help others to see the glorious promise that the enterprise system holds for the future of our

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

people. The engineer, better than most, can document the record that this system has made and is making in eliminating poverty and fear of starvation, in conquering disease, in giving people the leisure for education and cultural fulfillment. All of these things it is doing, not with the lash and the knout, but while preserving liberty and freedom of choice.

It is for us who believe in the enterprise system – engineers included – to think and act in terms of its promise, and to interpret it positively as the most dependable way to achieve the highest aspirations of the human spirit. • •

Can this be Liberty?

HARRIET HARPER

WHAT POWER takes hold of man today
That makes him think it right to say
That all must have an equal share
Of our prosperity? Beware!

What right have I with subtle stealth
To take a part of others' wealth?
If one can grab with greedy smirk
To take the fruits of others' work,
Then what initiative have we
When all will be shared equally?

By whatsoever name it's called,
I cannot help but be appalled
To think that people's moral sense
Does not oppose this great pretense
That it is right for one to steal
Since it is for another's meal;
That it is Christian love when he
Robs you to give some more to me.

For though he aims at noble ends,
My conscience on the means depends.
And is it just by force or might
To make me serve what he thinks right?

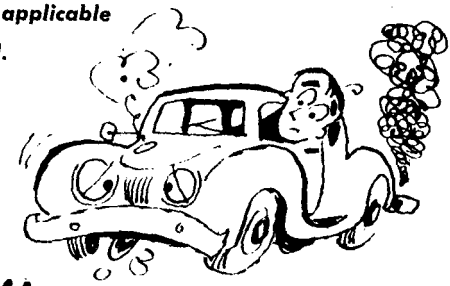
So please don't give or steal from me.
I want to keep my liberty,
Which you are someday bound to lose
If it's the other path you choose.

Miss Harper is a teacher at the Keith School in Rockford, Illinois.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A parking problem analyzed in terms applicable to all the economic affairs of mankind.

Scarcity, PARKING, AND THE Price System



NORMAN V. BRECKNER and WILLIAM R. ALLEN

As the weather bureau is facetiously blamed for inclemency, the economist is sometimes seriously charged with encouraging a fetish of scarcity. It seems widely held that scarcity is essentially a figment of perverted imaginations, a figment which, if taken seriously, can only inhibit efforts for economic betterment which otherwise could succeed.

Thus Leon H. Keyserling, former chairman of the Council of Economic Advisers, has informed us that "we have not had enough of anything, because we have not used fully the fantastic productive power which could provide us with enough of everything."

Those who have been brainwashed, by others or through self-infliction, with talk of the present or readily attainable "affluent society" apparently do not fully appreciate that scarcity is a *relative*, not an *absolute*, matter. If scarcity could be abolished by each person having a certain minimum income at present prices – $50,000? $100,000? – we could conceive of a time when scarcity would no longer shackle the movement of mankind toward perfection. But even if each person has an income of $100,000 in Buck Rogers' time, doubtlessly scarcity will still prevail. For scarcity, be it noted, refers to available goods and services relative to desires.

A person who does not have all of everything that he wants is faced with scarcity, regardless of his absolute level of living. If there were no scarcity, there would be no necessity for sacrificing one thing to obtain another; there

Dr. Breckner is an assistant professor (money, banking, and public finance) and Dr. Allen an associate professor (international trade and finance) in the Department of Economics, University of California, Los Angeles.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

would be no problem of choosing which desires to satisfy to what degree, for, by definition, all desires would be fully satisfied; in short, there would be no costs.

The economist did not invent scarcity. To be sure, in the absence of scarcity, there would be no central "economic problem," and there would be no role for the economist. But who would desire gainful employment in a world of no scarcity?

If we do not have all of everything we want, there is a problem of rationing. This is the major corollary of scarcity. An individual cannot escape the requirement for "economizing." How shall he disburse his limited income? When he purchases a unit of A, he has less resources to expend on B, C, and D. On the aggregate level, also, the problem of scarcity is with us. Resources devoted to automobiles are not available for refrigerators; the real cost of submarines is the schools, houses, and other outputs which could have been produced with the resources now sunk in the subs.

How shall the rationing be done? Rationing is painful, so it behooves the community to do it so as to minimize the cost and waste.

One might suppose that the method obvious to a libertarian would rely on free, individual choice. Let each person – possessing certain (scarce) resources, having certain preferences, and faced with impersonal price tags on the merchandise – decide how much, if anything, he will spend on articles A and B and C and D.

But a method of private decision-making does not assuage the longing of many to *do something* for mankind. The very impersonality of the pricing mechanism, which the advocate of freedom should consider an asset, does not appeal to the compassionate person determined to do good. Thus we find widely advocated processes of rationing, founded not on each person bidding in the open market on the basis of his own scale of priorities, but on direct disposal of goods and services by some public authority on the basis of what the authority somehow decides are the relative "needs" of the members of the community.

The Problem

Basic principles of economics can often be simply illustrated. Consider a hypothetical university – for convenience, call it U.C.L.A. – which has 1,500 faculty members and only 1,000 automobile parking spaces. On the assumption that all 1,500 professors (or at least more than 1,000) desire a parking space, we have a rationing problem. In one way or another, no matter how much the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

administrative authorities love mankind, the spaces inevitably must be rationed. But how?

The spaces could be given away by U.C.L.A. on a first-come-first-served basis. The money price of a space would then be zero; but a price would be paid in getting to the campus before dawn in an effort to be near the head of the line. The warm-hearted benefactor of humanity often neglects the fact that scarcity imposes costs and that the costs need not be in money form. Keeping the money price of an article at zero does not necessarily make it free.

The undignified scramble for parking places may be avoided by prior assigning of the spaces: some professors will be allotted a space and others will not. Who will be the lucky ones — or, as the committee dispensing privileges would say, the deserving ones?

There is almost no limit to the ingenuity of dispensing committees in rationalizing their favors. Among the criteria may be: distance from campus, age, health, rank, initials.

Some such criteria for the guidance of the bureaucracy may initially appeal to humanitarian instincts. Few have any attractiveness from the standpoint of a system of social organization conducive to both economic efficiency and over-all freedom.

If distribution by means of central authority for the purpose of better satisfying "needs" were desirable in the case of parking spaces, it is difficult to see why the same system should not be utilized in distributing the entire social output. Most of our would-be benefactors seldom go that far. (Nor do the Russians go that far in practice.) What they enthusiastically champion case-by-case, they dimly recognize as ridiculous when applied in the aggregate.

Free Market Solution

Return to our parking space problem. The land used for such spaces is valuable. It almost certainly has potential uses which could be sold by U.C.L.A. But whether or not it has alternative uses, the parking spaces themselves would fetch a price if auctioned in a free market. In short, so long as U.C.L.A. gives away the parking spaces — either first-come-first-served or by committee designation — the university is foregoing income it could otherwise have.

To Professor Adam Smythe, this seems to be a peculiar situation. Smythe may have no automobile and wants no parking space. Or perhaps he does drive and will take a space if it is free or priced sufficiently low, but he is not willing to pay the full mar-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ket value. Smythe, a cold-hearted but thoroughly impractical economist, might reason as follows: Since I put a small (or zero) value on a parking space, would I not be better off to let U.C.L.A. sell the space to someone else and then give me the proceeds (or at least a part of the proceeds greater than my own valuation of the space)? Why should U.C.L.A. give assets only to *certain* members of the faculty, viz., those (or some of those) who want parking spaces? *If* these assets are to be used directly for faculty benefit, why shouldn't the university sell the assets and then disburse the proceeds among *all* of the staff?

Suppose, for example, that the market would be cleared, i.e., the number of spaces demanded would equal the number available, if the annual price is $90. One thousand spaces at $90 yields receipts to U.C.L.A. of $90,000. If the receipts are disbursed equally among the 1,500 faculty members, each person, irrespective of whether or not he is a buyer of parking space, gets a dividend of $60.

Instead of U.C.L.A. renting out spaces and disbursing receipts, the president of the school could scatter from his office window certificates of possession of parking spaces to the faculty waiting below. A random group of professors would then control the parking spaces and would be allowed to rent them, the market-clearing price still being $90. However, there are questionable features of this rationing method: possessors of certificates who choose not to rent have obtained valuable space free; possessors who do rent out obtain $90 instead of the pro rata $60; and one-third of the faculty receives no dividend at all. Smythe prefers that the renting be done by U.C.L.A.

(Of course, the selling of the spaces and the disbursing of the receipts are separate acts, and U.C.L.A. might choose to do only the first and keep the receipts. Indeed, the university might decide to set the price which would *maximize* receipts – perhaps in order to accumulate funds for constructing a parking garage. This price could not be less than $90, for all spaces would be sold at that price, and except by coincidence, it would be higher. But a price higher than $90 will mean that not all spaces are sold; perhaps the best price from the university's point of view is $110, at which level, we may suppose, 900 spaces will be sold, giving receipts of $99,000. One hundred spaces standing empty because of a policy of monopolistic price-gouging! The inevitable wails of protest are too piteous to allow further contemplation of this alternative.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Weighing the Alternatives

Professor Smythe is, of course, generally known in the faculty club as an ogre who revels in a psychopathic preoccupation with scarcity, but it does appear that his proposal of U.C.L.A. selling-and-disbursing may have some merit. Who gains and who loses by his rationing system?

a. The purchaser of the parking space presumably feels that he is better off as a result of the purchase, or he would not have made it in the first place. To be sure, he would be still happier to get the space free, but *someone* must bear the cost of scarcity, and it seems appropriate that as much of it as possible be borne by those who receive the space.

b. U.C.L.A. is financially indifferent. It is neither better off nor worse off by selling the space and disbursing the proceeds than by giving away the space.

c. Smythe and the other 499 professors without parking spaces – and under any rationing scheme, there will be 500 spaceless men – are benefited by the proceeds of selling the spaces.

The Smythean scheme achieves a number of desirable results. First, the rationing is done with a minimum cost in time and inconvenience. Paying a price in terms of money, i.e., generalized purchasing power, is neater (although not necessarily smaller in the estimation of everyone) than paying in terms of a specific resource, in this case, the energy required in arising early and groping to the parking lot by moonlight. That, as Smythe has often said, is why money was invented.

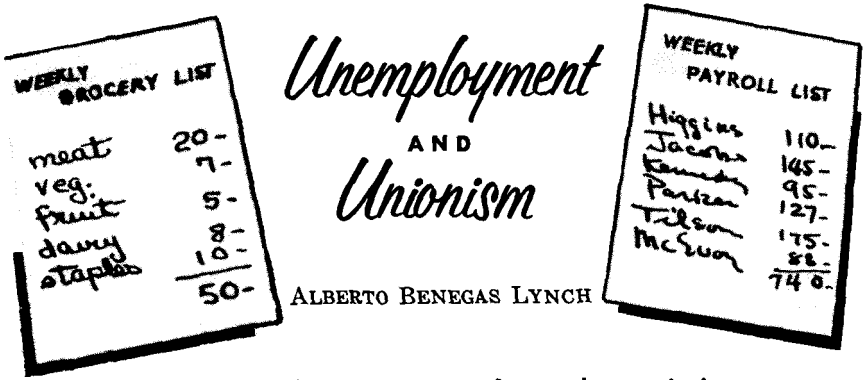
Second, a dispensing bureaucracy – suffering the temptations of frail men, guided by arbitrary and often nebulous criteria, and subject to no rewards for efficiency or penalties for inefficiency – is avoided.

Third, there is upheld the basic principle that those who get (in this case, the parking spaces) shall pay.

Fourth, there is upheld the equally basic principle that gifts and rewards are best given in generalized purchasing power. When U.C.L.A. gives away parking spaces, only part of the faculty gains, and the beneficiaries must take the gift in the form of only parking space, whereas Smythe would have everyone gain from the university's generosity, and receive the gain in money which can be used as each recipient sees fit.

It all seems quite apparent. But Adam Smythe is not optimistic that his well-intentioned but mis-, or un-, guided colleagues will even seriously consider the advantages of Adam Smith's "obvious and simple system of natural liberty."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Unemployment AND Unionism

ALBERTO BENEGAS LYNCH

A report on the consequences of compulsory unionism from one whose country is finding where that road leads.

THE MAIN CRITICISM leveled against economic freedom is the statement that, if things in the economic field are left to the spontaneous regulation of the free market, then so-called cyclical crises will ensue, with their sequel of mass unemployment.

This is an unjust and baseless accusation. Sound theory demonstrates, and practice confirms, that in every case unemployment is a consequence of the direct or indirect action of the State.

Economic liberty presupposes a free market for wages, just as for all other products and services. The price or wage paid for work is generally subject to controls altering its natural level, either by the direct action of a State which sets wages arbitrarily without regard to the market, or by indirect governmental action through unrepressed trade union violence.

To ask a higher price for one's product than the prospective buyer is willing to pay precludes a sale and contributes to a cumulation of unsold products. The same thing happens when, instead of a product, a service is offered. If the wage demanded by a worker is higher than the person requiring this service is willing to pay, then the wage contract is not made and the worker is unemployed.

Every time wages are raised above the natural level freely established by supply and demand, unemployment will be the unavoidable result. One alternative

---

Mr. Benegas Lynch is a business leader in Buenos Aires and President of the Centro De Difusion De La Economia Libre, an association for the study and teaching of the philosophy of freedom. This is an excerpt from his lecture of September 11, 1958, before the National Academy of Economics in Montevideo, Uruguay.

LICENSED TO GOOGLE
ELECTRONIC REPRODUCTION PROHIBITED

is to lower real wages and at the same time raise nominal wages by means of monetary inflation, a trick very widely used in the last few years. Nominal wages are raised, and at the same time money in circulation and bank credit are expanded, whereby real wages are kept at the same level, thus avoiding the unemployment which would otherwise have taken place. That is to say, the raising of wages above their natural level inevitably brings about either unemployment or inflation.

Man is not an object of trade, but his services are – like any product – when he offers them in the market and expects payment for them. The difference in the case of services is that it is becoming increasingly common in many places for workers, acting in organized groups, to use force to get the price they want for their services. In its tendency toward mass action and indifference to the interest and choice of the individual, trade unionism gives its leaders tyrannical authority over members and nonmembers alike.

Coercion Destroys Rights

Modern trade unionism, by the use of force, not only distorts the wage market, causing unemployment or inflation, but also interferes with the liberty to work, to trade, and to associate. Such action frequently makes it impossible to enter a wage contract voluntarily; the right to abstain from working becomes the obligation to take part in strikes against one's will; and the right to associate becomes the obligation to join this or that union. Coercive force, instead of being reserved exclusively to the government for the protection of the life, liberty, and property of the citizens, is employed by these organized groups to attack many of those same fundamental individual rights.

It is paradoxical, however, that many of those who call themselves supporters of democracy and liberty should claim that the sort of compulsory unionism we have described is a legitimate manifestation of democratic life. This kind of unionism neither follows democratic practices nor contributes to liberty. On the contrary, trade unionism that attacks fundamental individual rights is an efficient weapon with which to kill liberty. Such unionism generally serves governments of a totalitarian tendency, and in conjunction with employers' associations appointed by the State, works toward a corporative structure of society.

Free elections and democratic governments are no defense against such developments. In

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

many cases these governments, on the one hand, interfere where they have no business, exceeding their powers; and on the other, they neglect their basic duty of enforcing respect for the life, liberty, and property of the citizens.

Democracy Is Not Enough

Against the rising authoritarianism of our times, which is at flood tide where the communist empire holds sway and every trace of liberty has completely disappeared, it must be realized that democracy, of itself, is no guarantee of liberty for the countries of the West which practice it. In the areas of the world where there is yet a remnant of liberty, it is in danger of destruction through the popular vote – as in other ages – if effective brakes are not placed on political power.

Excessive government is the usurpation of power by those in control and the abdication of liberty by those who consent. The tendency toward excessive growth of government is accelerated in the West by the common but false belief that liberty cannot be lost under democracy.

The task before us is to displace this false hope with the idea of the inviolability of natural rights – to life, liberty, and property – the only guarantee for human liberty against the constant threat of enslavement by authoritarian governments. • • •

F

ORK

ERE

EALTH

IN FRANCE in 1846, a chief argument of the protectionists was that tariffs created more work, and that this was good for the workers. The leader of the free traders, Frederic Bastiat, answered as follows:

In my village, there was a carpenter who worked six hours a day. . . . One day he went blind. But being a man of character and energy, he continued at his trade, even though it took him twelve hours to do what he had formerly done in six.

One of his neighbors consoled him with these words: Before you went blind, you worked only a half day. Now you work all day. Your cataracts are a blessing because Saint-Cricq [Minister of Commerce] has told us that work is wealth. • • •

Translated by Dean Russell from *Oeuvres Completes de Frederic Bastiat*, Vol. II. Paris: Guillaumin, 1862.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

An agricultural economist translates his experience to commend . . .

A NON GOVERNMENTAL FARM PROGRAM

PAUL ROY

MANY PERSONS have followed the path of least resistance to the conclusion that the only solution to American agricultural problems is for the federal government to pour billions into the farm program. But I cannot agree that our only salvation rests in Washington. I doubt that the Congress or any federal agency is capable of enacting and administering a comprehensive farm program with justice or equity. Our agriculture is too diversified for that, our farms varying in size and capitalization, with wide dispersions in income that are aggravated rather than corrected by government payments to farmers.

We have agricultural resources committed to wheat, corn, cotton, rice, and other crops, with yields vastly in excess of the quantity which can be moved at the support price. This hurts domestic industries which must buy in this price-supported market. It also hurts our prospects in foreign markets, where we hold a price umbrella over competitors, thus increasing any advantage they might otherwise have had.

Yet, while economists and others have been busy devising and trying to enforce unworkable programs, a kind of technological revolution has been happening in many lines of farming – especially livestock and poultry. This went largely unnoticed in the American press until a year ago. The United States Department of Agriculture and many of the agricultural colleges failed to realize the extent and importance of this potential change in farming patterns.

The change involves economic integration, more popularly called contract farming. However, this contract is not between the government and the farmer; it is an

Dr. Roy, Agricultural Economist at Louisiana State University, has devoted nearly a decade studying and helping develop the integrated farming arrangements described in this article.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

economic arrangement between businessmen and farmers. The businessmen supply all or part of the credit and the production supplies and assure a market for the produce. The farmer, in turn, supplies as many resources as he can, including all or part of the productive labor. In exchange, the farmer gets a guaranteed return for his labor plus a share of profits above a certain level.

Broiler Growers on Contract

Contract farming had its real beginning in the broiler industry where it attained a high degree of perfection and performance. The system is now spreading to hogs, beef cattle, table eggs, hatching eggs, canning crops, and to many other farm enterprises, except those supported by the government. The crops subject to government price support account for less and less of the national agricultural income. For example, poultry income is now in first place in Georgia and Alabama, and ranks high in the other southern states of Arkansas, Louisiana, Mississippi, South Carolina, North Carolina, and Texas. Economic integration started here because cotton was being price-and-acreage-controlled out of its markets; the price support program indirectly led to economic integration.

This contract farming in broilers, for example, has been so successful that broiler meat consumption has gained considerably on competing meats such as beef, veal, and pork. Broiler prices in retail food stores are lower than during the Depression days. Economists say the results of economic integration in hogs and table eggs could be just as outstanding. Some persons claim that broiler growers on contract work for "starvation" wages, but the facts refute them. Recent research by Southern land-grant colleges shows that net labor returns to broiler growers on contract averaged $1.10 per hour.

The farmer has always faced the uncertainties of weather, animal and insect pests, diseases, and income and price fluctuations; and he is fully justified in trying to reduce or eliminate such hazards. But the result, when he has turned to the government for help, has been the added aggravation of long debates, red-tape, and a huge bureaucracy. Far better that farmers work out satisfactory production, marketing, and income arrangements with businessmen who are in business to supply a market rather than to fill a government warehouse.

Advantages of Integration

What are the advantages of economic integration in agriculture? (1) It does not require govern-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ment regulation or subsidy because it is a self-adjusting mechanism through the market place. (2) It spreads risks, including that of price fluctuation, among the people who do the integrating. (3) It is based on and builds respect for the personal integrity and the private property rights of all parties involved – farmer, businessman, consumer. (4) It shifts or absorbs within its own organization some of the costs of research, teaching, and demonstration. (5) It has no monopoly advantage or power because it relies on economic and technological efficiency in its operations and is not a device for market control.

Laissez Faire

What is the moral taught us by agricultural economic integration? It is simple:

Stop interfering; leave people to their own resources and ingenuity, free to attempt something new, free to produce and trade voluntarily to their mutual advantage. In whatever you do – farming, teaching, manufacturing – aim for one thing: produce and offer the goods and services people want and can afford to pay for.

Woe to those who produce for a warehouse or cave or mothball fleet far removed from the exacting needs of the market, those who teach the tempting but false philosophy of something-for-nothing, those who hide their inefficiencies behind special privileges, subsidies, and protective trade barriers. Any possible short-run gains from such tactics are strictly illusory, for they are at the expense of others, harmful to society, and in the long run destructive of the very ones who seek them. While the pains of adjustment to the market are sometimes acute, they are preferable to the chronic and eventually incurable disease of subsidy and control. • • •

IDEAS ON LIBERTY

Free-Market Farming

RESTORING THE FREE MARKET to farm products at a time of unprecedented industrial activity in this country would benefit nearly everyone. Taxpayers (and who isn't?) would avoid the staggering cost of purchasing and storing commodities; marginal and submarginal farmers would be induced to seek more profitable employment off the farm; commercial farmers could go back to producing for a market they know exists; and the entire economy could once more get back to a steadily rising productivity, beneficial to everyone.

W. M. CURTISS

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A REVIEWER'S NOTEBOOK JOHN CHAMBERLAIN

UNCERTAIN LANDMARKS

WHEN Walter Lippman published his *A Preface to Morals* a generation ago, a witty reviewer remarked that it was most useful where it was most prefatory. Peter F. Drucker's *Landmarks of Tomorrow* (Harper, 282 pp., $4.50) would seem to call for a similar comment. It is first-rate when it comes to defining problems. But for every problem it defines, it creates ten or twelve new ones which it leaves unsolved.

Mr. Drucker begins by telling us that we have left the "Cartesian" world behind us. (Descartes, if you are hazy about him, was a seventeenth century French philosopher who thought that quantitative measurement and "the knowledge of things by their causes" expressed the whole of science.) Today, says Mr. Drucker, the universe presents itself to us as mysteriously prolific of patterns that result from qualitative (and unmeasurable) purpose.

Economists talk about "management," which is an art even more than it is a science; it is, as Mr. Drucker puts it, a "configuration term." In psychology, the chatter about "gestalt" and "behavior patterns" implies that theorizing about "wholes" has replaced an older interpretation that relied on such mechanical things as the "pleasure-pain" calculus. Biologists use such terms as "immunity" and "metabolism," "ecology" and "syndrome," "homeostasis" and "pattern" – "every one of them describing not so much a property of matter or quantity itself as harmonious order, every one therefore essentially an esthetic term." As for the physicists, who have led the way in the destruction of Mr. Drucker's "Cartesianism," they deal in "quantum" items that express combinations of mass and energy, time and distance, speed and direction, "all absorbed into a single indivisible process."

Just where all this is tending in terms of "tomorrow's" social, economic, and political-patriotic "landmarks" may escape the average reader. Mr. Drucker seems to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

be saying that in a world of "patterns" and "purposes," one must have a pluralistic order of society in order to accommodate everybody. Personally, I don't find this vastly different from the old sociology and the old political science. Between Sumner's and Spencer's "advancing industrial organizations" and Drucker's "corporations as the socially constitutive units of the new society," the distinctions are largely matters of verbiage. And the effort to adumbrate a political science that will allow for many purposes is certainly as old as Calhoun's doctrine of the "concurrent majority."

Individualism Recognized

"Cartesianism" to one side, however, Mr. Drucker is full of insights. Under modern organizational "forms" (Mr. Drucker likes that word) the ordinary individual must belong to a "collective" – or a "social whole" – to be effective. But Mr. Drucker (though he shies away from the word "individualism") quite correctly observes that a modern organization, if it is not to die of inanition or managerial arteriosclerosis, must enable its people to feel creative, to take pride in their status, and to "respect themselves" as part of "a grand design." In brief, people must be permitted to be persons. Though Mr. Drucker speaks grandiloquently of going "beyond collectivism and individualism," his accent on the need for free moral choice and personally accepted responsibility is individualistic enough for me.

A student of industry, Mr. Drucker notes that the day of the "assembly line robot" is disappearing. "Automation" – a blend of mechanics, electrically operated controls, and electronics – tends to displace the "human machine tool" of the original Henry Ford. But as the factory proletariat diminishes, the professional middle class grows in numbers. "Programing" of work becomes all-important; the thinker replaces the mechanically oriented "doer." The imperatives of modern industrial organization call for an "educated society," if only to watch dials and to service intricate machinery.

Moreover, the ideas of the modern "West" are catching. The "East" (including Mohammedans, Buddhists, Shintoists, and African and Melanesian worshipers of Stone Age gods) insists on imitating the productivity of the "West." The "immemorial wisdom of the East" gives way to a drive to bring stagnating economies "up to poverty" – which is riches to the Egyptian fellahin or the Malay coolie.

In Drucker's opinion, communism, an aberration of the West

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(Marx got his ideas piecemeal from such variegated westerners as Hegel, Ricardo, Rousseau, and Saint-Simon), must prove defective as a way of organizing an "educated society." The reason is that "communism cannot allow the educated to use their education, it can only tolerate technicians. . . . It needs the new organization of men of skill and knowledge yet cannot permit responsible judgment, let alone use the organization to promote human freedom." Because of this, the still uncommunized nations of the "East" must logically tend to side with the mature countries of the free world as they develop a middle class capable of bringing them "up to poverty." If the "logical" development of the entire noncommunist world is to be in the direction of freedom, however, there must, so Mr. Drucker says, be social as well as technological "innovations."

Organized "Innovation"

Mr. Drucker uses the word "innovation" in a special way. "Innovation" is not "the creative act. . . . the 'Eureka' of sudden insight by the genius." On the contrary: Innovation is the art of defining what needs to be done to make something attainable and then setting out to organize for its accomplishment. It "multiplies the power both of the flash of genius and of the steady slugging away on improvement, adaptation, and application." Innovation "makes technology open-ended and capable of being designed."

Innovation is, in short, an attitude which combines flexibility, disrespect for convention as such, and the ability to organize "ignorance" until it has yielded new knowledge and new tools.

Again, one wonders where Mr. Drucker's "new" thinking about innovators differs from older thinking about the nature of entrepreneurship. The enterpriser, from James Watt and Matthew Boulton on down to Mr. George Romney of the American Motors Company, has always been willing to organize for new departures. And economists from Francis Amasa Walker to Schumpeter have frequently defined profit specifically as a reward for "innovation."

When he comes to demonstrate what he means by "social innovation," a certain vagueness hovers about Mr. Drucker's pages. Though he is far from being a Fabian socialist, Mr. Drucker betrays a touching Fabian trust in the "public corporation" and in what might be described as the semidetached public authority. He thinks that government has a role to play in the creation of "spectaculars" such as the TVA. (The

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"spectacular," he thinks, can help galvanize apathetic regions into doing something for themselves.) And, since a certain amount of "social overhead" – the education of managers, the building of roads, the training of technicians – must accompany or even precede economic development, Mr. Drucker looks with complaisance on U.S. government aid to Asiatic "social overhead" state projects.

The Educational Process

At quite another point in his book Mr. Drucker is against government domination of the education process. He even argues that education for innovation is incompatible with statist controls over an education system. Yet he seems blithely unaware that if the Indian or the Thailand government uses U.S. government money to educate local managers, the product of such education will hardly be on the side of private entrepreneurship – or real "innovation."

Mr. Drucker is at his least specific when he deals with the governmental forms of the future. With the rise of the "absolute" weapon, Mr. Drucker sees "irrationality" invading international affairs. War can no longer be a profitable instrument or policy; therefore, politicians on both sides of the Iron Curtain have no way of calculating risks. The result is that screams and bluffs take the place of precise diplomatic representation, and the whole world is apprehensive lest a bluff should release a trigger by mistake.

From his correct analysis of the portent of the "absolute" weapon, Mr. Drucker goes on to say that the "post-modern" task is to deny to governments everywhere the power of inflicting physical and moral destruction on their citizens. Well, the Hungarians tried to deny just such power to Mr. Khrushchev. They did not succeed. And when Mr. Drucker draws the correct deduction that communism "can tolerate only vassals and satellites," he reveals the "landmarks of tomorrow" as being nothing more than the "landmarks of yesterday and today" – in brief, a continuing Cold War. • • •

The Evolution of a Conservative

By William Henry Chamberlin. Chicago: Henry Regnery Company. 295 pp. $4.50.

EXPERIENCE is undoubtedly an excellent teacher. But it is a certainty that this teacher will not prevail unless the student brings to class a capacity for learning that permits the lesson to stick. Otherwise, how account for the different, and sometimes opposite, effects of the same experience on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

different students? Contact with communism, for instance, does not make an anticommunist of everyone who has had the experience, and collectivism has its apologists in every country where the dire economic and social results of the invasion of private property are all too evident. The student who does not bring along an aptitude for seeing things as they are will learn little from experience.

However, that aptitude in good measure William Henry Chamberlin took with him to Russia in 1922, and as a result of his experience he gives us now *The Evolution of a Conservative*. He tells us that when he undertook his journalistic assignment in the Soviet Union he took with him a favorable disposition toward communism and the "Russian experiment." In those days most Americans suffering from *weltschmerz* were at least sympathetic toward the "experiment," simply because they believed that whatever came of it would be better than the detestable czarism it had replaced. When he came back twelve years later, Chamberlin was not only completely disillusioned but had learned that, whatever the faults of conservatism in practice, as a philosophy of life it is distinctly superior to anything its detractors had to offer.

Like the increasing number of books on conservatism coming off the presses, this one attempts to set down the tenets of the philosophy, but as in the others, these tenets turn out to be the predilections of the author. To be sure, all conservatives agree on a few general principles: private property, personal liberty, limited government. Also, conservatives are marked by a common inclination to conserve traditions and institutions that have proven beneficial to mankind, in politics, culture, and social life. Beyond these principles and this inclination, the various delineators of conservative philosophy differ in both emphasis and detail. Some are convinced that, given a free economy, the ideal social life will be attained; others stress the importance of culture; still others insist that the good life is a matter of self-improvement of the individual. Chamberlin, who is first of all a reporter, adds to the orchestra by his observations of what is good in American life and what he considers undesirable. (He has a chapter, for instance, on the cultural importance of baseball.)

It is altogether a charming, informative, and readable book, all the more so because it is written in the journalistic style of which the author is a master.

Every reader brings to a book his own apperception and there-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fore takes away a thought that may not be in the book but is aroused by it. To this reviewer the question occurs: If Chamberlin had not seen sovietism in action, would he have been converted to conservatism? Is experience the necessary teacher? Does America have to go the whole way into collectivism before the mistake is discovered? FRANK CHODOROV

The Roots of Capitalism

By John Chamberlain. Princeton, N. J.: Van Nostrand. 222 pp. $5.50.

THE PRIME ENIGMA of the twentieth century is not that so many Americans have willingly embraced collectivist panaceas, which promise everything from pie in the sky to Heaven on earth, but that in so doing they have ignored the one means whereby man can attain his desired ends. As John Chamberlain points out in his consummate study, *The Roots of Capitalism,* it is from the free choices available under capitalism whence comes the unexpected, the innovation, and the qualitative decision that makes for human betterment.

Chamberlain's study, the first in a series of books on capitalism sponsored by the Princeton Panel, is a major contribution to the field of economic development and thought. In it, the author traces the social and political factors which enabled Adam Smith's blueprint, *The Wealth of Nations,* to fuse with Thomas Jefferson's revolutionary document, *The Declaration of Independence,* into a workable plan which unleashed man from centuries of oppression and subservience. Smith's rationale, when practiced in the freedom of Jefferson's America, demonstrated how material progress is inevitable if only man is left alone and energy is allowed to flow freely. What Smith had uncovered, Chamberlain tells us, "was a set of principles accepting man as a self-starter, which is good for any productive society, whether it utilizes steam, electric, or atomic power or merely depends on horses and human muscle."

Smith believed, as Yale sociologist William Graham Sumner believed after him, that the greatest good man can perform is to care for himself, making certain that he exercises prudence, economy, industry, and sound judgment. Or, to use Smith's own words, man, "by pursuing his own interest . . . frequently promotes that of society more effectually than when he really intends to promote it." Certainly Henry Ford, Eli Whitney, and Thomas Edison, without pretending to understand economic theory, bestowed greater benefit

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

upon the individual than all the social planners and do-gooders who ever lived.

Economics is a science of human choices, and choice is fundamental to the moral nature of man. Under socialism, man is denied the freedom to own and to sell what he owns in the market place or otherwise dispose of it. Under capitalism, on the other hand, the consumer, by his countless votes in the market place, his decisions to buy or not buy, directs production, sets prices, and otherwise decides the fate of the producer.

Like the Mosaic Law, of which it is a by-product, capitalism is a defender of the individual. The right to life, the right to the liberty and the property necessary to sustain life, and lack of compulsion are integral parts of this free choice system. "If one has a 'right' to life," says Mr. Chamberlain, "one must be at liberty to work and sustain one's self, and one must have access to the means of production – specifically, land and tools. If one can be legally deprived of the right to acquire these, the right to life becomes a permission to be revoked at the politician's or the military man's will."

There is little doubt that the roots of capitalism are nurtured by the soil of freedom, enabling progress and invention to spring forth. Whenever government regulations and restraints are employed, freedom diminishes. The impetus supplied the Industrial Revolution by the steam engine was almost lost when the city of Glasgow refused James Watt the right to open a workshop. The French textile industry was long burdened by the weight of thousands of bureaucratic regulations which, between 1666 and 1730, required more than 2,000 pages to print. Since 1914, France's insistence on rent controls has resulted in a half-million slum dwellings and a chronic dearth of adequate housing. In our own country, once the fountainhead of freedom, our myriad of contradictory farm controls points up the folly of attempting to legislate production. Germany, on the other hand, has rediscovered the mainspring of freedom which our Founding Fathers so scrupulously sought to preserve. Merely by abolishing controls, state planning, and sharply progressive taxation, the West German Republic has man-

Any book reviewed in this Book Section (or any other *current* book) supplied by return mail. You pay only the *bookstore* price. We pay the postage anywhere in the world. Catalogue on request.

THE BOOKMAILER, Box 101, New York 16

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

aged to recover faster than post-1945 Britain.

Chamberlain trains his perspicuous pen on many subjects which relate to economics, and he exposes many popular fallacies. The trouble with Keynesian medicine, he tells us, "is that the prescriptions can all be refilled without check by the physicians." Government interference, he says, "begins as a policy of robbing rich Peter to pay poor Paul (and) ends up by robbing Paul to pay Paul." Inflation, he reminds us, does not finance productivity, but rather "it is production which has kept the American inflation from going the way of the German inflation after World War I."

Such prosperity as we enjoy is in spite of welfare state policies; it results from the capital put at the American worker's disposal. "It has been the machine itself – $13,000 or more of investment per worker, a multiplication of the individual units, arms, legs, and brains which has pushed the wage to a point where everyone can have his own bit of conspicuous leisure, and even conspicuous waste." Henry Ford, he claims, "may not have been a master of syllogistic reasoning, but after he had lived and worked, nobody could claim that Karl Marx was anything else but a fool."

If this first book is any indication of the caliber of books to follow, then this series may very well prove to be a much needed articulation of capitalistic thought. And Chamberlain's quintessential book, lucidly and brilliantly written, may turn out to be the new *Wealth of Nations* for a new American revolution. EDWIN MCDOWELL

We invite your subscription to

MODERN AGE

A CONSERVATIVE REVIEW

Published Quarterly Edited by RUSSELL KIRK

VOL. 3, No. 2 (Spring 1959)

"HUMANE LETTERS"

Including contributions by ERIC VOEGELIN, FREDERICK D. WILHELMSEN, PETER STANLIS, ROBERT J. NEEDLES, M.D., and "M.T.V."

$4.00 the year *$1.25 the copy*

Address: 64 East Jackson Boulevard, Chicago 4, Illinois

LICENSED TO MI...
ELECTRONIC REPRODUCTION PROHIBITED

Coast Federal Savings and Loan Association

of LOS ANGELES

Offers savings investors–

Maximum Return on their investment with SAFETY, through progressive, yet conservative management — plus insurance on each account to $10,000.00. 4% current annual rate payable semi-annually. NOTE: All accounts opened or funds added to existing accounts by the 10th of any month earn dividends from the first of that month.

Availability of Funds when needed due to high liquidity position. (Over $90,000,000.00 in cash and government bonds as of December 31, 1958.)

Promptness in all transactions assured by use of AIRMAIL. (We pay postage both ways).

Legal Investment for Trust Funds

Resources over 310,000,000.00
(As of December 31, 1958)

Reserves over 28,784,000.00
(As of December 31, 1958)

Variety of Accounts to suit your needs — Individual, Joint, Trust and Corporation

"LET'S GET ACQUAINTED"—Write today for this booklet and financial statement to: Coast Federal Savings, Department "H"—9th at Hill, Los Angeles 14, California.

COAST FEDERAL SAVINGS

JOE E. HILL, PRESIDENT

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MEMBER FEDERAL HOME LOAN BANK SYSTEM — FEDERAL SAVINGS AND LOAN INSURANCE CORP.

IDEAS ON LIBERTY

WHEN VIOLENCE is covert, legal, and approved by a majority, it is more deadly by reason of its disguises. It works stealthily to increase friction in society and to erode and corrupt social bonds.

The shadow lengthens, political intervention and control increase, men rely more and more on violence to gain their ends. We careen, unwittingly, toward the servile state. This eventuality is not being forced upon us; we are doing it to ourselves, largely in ignorance of what it is we are really doing.

From the article, "The Lengthening Shadow of Government" by Edmund A. Opitz in *Essays on Liberty*, Vol. III, Foundation for Economic Education, Irvington-on-Hudson, N. Y. 448 pp. $2.00 paper, $3.00 cloth.

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

PLACE
4½-CENT
POSTAGE
HERE

To:

street

city zone state

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED